



# Profile

With a fleet of 239 ships and an annual transport volume of around 12 million TEU, Hapag-Lloyd is one of the world's leading shipping companies. We offer reliable transport solutions to our customers in 129 countries around the world. These include container transport by sea, as well as door-to-door transport. With around 13,000 employees, we are on hand locally to serve our customers around the world.

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# On course

Quality leadership guides us on a path to success. We have formalised this aspiration once again in our Strategy 2023. We focus on permanently providing the best service possible. This keeps us moving and ensures that we can react quickly to all kinds of change.

We continued on this path in 2019 – in the interest of our stakeholders, and especially for the benefit of our customers.



“

**Interest in acquiring new knowledge and fresh ideas are what really make the difference at sea.”**

**DEMOSTHENES C. QUINONES,  
RECRUITER, JEBSEN MARITIME,  
INTERVIEW ON PAGE 40**



—> **ON COURSE TOWARDS COMPETENCIES**

The working world is becoming more complex. The level of digitalisation is increasing, and with it the amount of technology in our working environment. This means our employees' tasks and skill sets are also changing.

We take an adaptive approach towards further education, imparting specialist knowledge – of occupational health and safety or compliance, for example – through innovative teaching methods. This keeps our employees up-to-date. At the same time, they have every possible opportunity to progress both personally and professionally – which is entirely in our company's interest.



**To continue as usual is not an option. Society expects fundamental rethinking.”**

LARS ROBERT PEDERSEN,  
DEPUTY SECRETARY GENERAL, BIMCO,  
INTERVIEW ON PAGE 74



—> **ON COURSE TOWARDS THE ENVIRONMENT**

Social pressure on environmental issues is intensifying. It shows: The days of purely profit-oriented management are over. Today, we are also measured against other standards. One of the expectations we have of ourselves is to further minimise the environmental impact of our actions.

To achieve this, we combine the proven with the new. Global quality and environmental management standards form the basis of our activities. Through cooperative research and development projects and our involvement in initiatives, we make a significant contribution to promoting global environmental standards in liner shipping.



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“Digital opportunities are leading the shipping industry into a whole new era.”

**JAN BOVERMANN,  
HEAD OF CORPORATE DEVELOPMENT, HHLA;  
MANAGING DIRECTOR OF HAMBURG PORT CONSULTING,  
INTERVIEW ON PAGE 62**





—> **ON COURSE TOWARDS DIGITALISATION**

The digital transformation is proceeding rapidly. Technological innovations make it possible to link processes and systems along the value chain more effectively than ever before. This offers us the opportunity to equip ourselves for the future, which will also benefit our customers and the environment.

The people who actively shape the digital transformation and implement it in the company play an important role. We provide them with the trust and the space they need to carry out their tasks.



“

**Safely from door to door. That is a real promise of quality.”**

**ANJA RÖNNFELDT,  
SENIOR VICE PRESIDENT GLOBAL OCEAN FREIGHT,  
GLOBAL TRADE MANAGEMENT, DB SCHENKER,  
INTERVIEW ON PAGE 88**

## —> ON COURSE TOWARDS CUSTOMER SATISFACTION

As globalisation progresses and the speed of business processes grows, so do the demands of our customers in regard to the quality of our work. In this environment, we ensure the satisfaction of our customers by providing quick and reliable transport handling, meticulous documentation and personal contact.

In order to meet these high customer demands, we further developed our internal processes and digital infrastructure in 2019. This allowed us to increase the level of transparency for our customers and to improve our service. In the course of this, we ensure the highest safety standards at all times – on land and at sea. Also in other areas, digital solutions help us to unlock new efficiency and user potential that will benefit our customers.





“

**It is becoming less about size and more about cooperation!”**

**ULF SCHAWOHL,  
SENIOR MANAGING DIRECTOR NETWORK, HAPAG-LLOYD AG,  
INTERVIEW ON PAGE 10**

## —> ON COURSE TOWARDS COOPERATION

The consolidation process in the industry currently appears to be largely complete. To remain competitive in these times, one must be flexible and capable of efficiently utilising available resources. Cooperation can help make this possible. We maintain a diverse range of partnerships which enable us to offer our customers further added value. However, our main focus is using collaborative relationships to ensure the best possible outcomes for the environment and society.



# Foreword of the Executive Board

– 102-14



 **ON COURSE TOWARDS THE FUTURE**

**“ We want to be  
the number one  
for quality.”**

**ROLF HABBEN JANSEN,  
CHAIRMAN OF THE EXECUTIVE BOARD**

**Ladies and Gentlemen,  
Dear Friends of Hapag-Lloyd,**

Without container shipping, there would be no global trade. Roughly 90 percent of all internationally traded goods are transported by sea. At the same time, society's demands on us as a shipping company are growing – especially when it comes to sustainability. Our stakeholders want to know: How is Hapag-Lloyd contributing to protecting the climate and the environment? How are we conserving resources? And how committed is the company to ensuring that human rights are respected along the supply chain?

Our answer to these questions is an approach that reconciles our four dimensions of sustainability – the environment, the economy, quality and social issues. But what does that mean in concrete terms for our sustainability-related activities? As a liner shipping company, we can exert the greatest leverage for effective climate-protection measures in how we operate our fleet. One of our most important goals is to reduce our emissions. We intend to achieve this in several ways, including by boosting energy efficiency in the operation of our current and future vessels as well as by reducing bunker consumption. And our measures are making a genuine impact: Compared to the reference year 2008, we have succeeded in reducing our specific CO<sub>2</sub> emissions – meaning CO<sub>2</sub> emissions per TEU-kilometre – by 50 percent.

In addition, we are contributing to improving air quality. Regarding this issue, the International Maritime Organization (IMO) issued new specifications on the maximum sulphur content of marine fuels, which have been in force since 1 January 2020. As a result, preparing for the so-called IMO 2020 regulations was one of the main focuses of the 2019 reporting year. We got started with our planning early and made the necessary conversions to our fleet. Since the beginning of the year, we have been using low-sulphur fuels, which emit more than 70 percent less sulphur oxides than the fuel previously in use.

We are also actively committed to protecting the oceans, and we are a signatory to the Arctic Shipping Corporate Pledge of the US sporting goods manufacturer Nike and the environmental advocacy group Ocean Conservancy. Participating companies pledge to refrain from using shipping routes through the Arctic in order to protect the unique ecosystem of the Arctic Ocean.

Respecting human rights and treating our environment with care are givens for us. Hapag-Lloyd is accordingly in favour of a binding supply chain law to regulate human rights and environmental due diligence obligations. In a related matter, we support a corresponding declaration by the Business & Human Rights Resource Centre, which aims to pave the way for a German as well as a common European solution and thereby create uniform market conditions.

The issue of sustainability also encompasses the economic success of Hapag-Lloyd. In the reporting year behind us, we enjoyed positive business developments. Furthermore, we have implemented additional elements of our Strategy 2023 in order to differentiate ourselves in the market and to become the number one for quality among carriers. For example, we have adjusted our organisational structures and created a new Region South Europe. We have invested in the digitalisation of our products and services. And we have established more Quality Service Centers in order to be able to offer our customers even better and quicker service.

As you can see, during the 2019 reporting year, we advanced one step further in all dimensions of sustainability. But one thing is also clear: Far-reaching changes do not happen overnight. Especially in an asset-intensive industry such as container shipping, investment decisions must be carefully weighed. A ship that we order today must meet all the environmental requirements not only of tomorrow, but also of the next few decades, and it must be able to operate in a way that covers its costs.

Thus, we will “Stay on Course”. We have our sights firmly set on our sustainability projects and our corporate goals, and we intend to achieve them safely – together with our approximately 13,000 employees, customers and shareholders. After all, this is the only way that we can fulfil our social responsibility and thereby ensure the success of our company – both today and in the future.

We hope you enjoy reading our sustainability report.

Hamburg, 19 March 2020

Sincerely,



**Rolf Habben Jansen**  
(Chairman of the Executive Board)



# About this report

– 102-1, 102-5, 102-45, 102-48, 102-49, 102-50, 102-52, 102-54

This is the third sustainability report (SR) issued by the Hapag-Lloyd Group and Hapag-Lloyd AG. It contains the combined separate non-financial report (NfR). In line with the requirements of the German CSR Guideline Implementation Act (CSR-RUG), the statements complete the financial reporting of Hapag-Lloyd with disclosures on significant non-financial aspects in accordance with Sections 315c in conjunction with 289c to 289e of the German Commercial Code (HGB). – NfR

The sustainability report provides extensive information about the Group's sustainability activities and goes beyond the legal requirements. All disclosures which are part of the NfR and serve to ensure compliance with CSR-RUG are marked "NfR". – NfR

Unless otherwise indicated, all disclosures in this report relate to the entire group of consolidated companies.

The group of consolidated companies, which comprises the Hapag-Lloyd AG companies and affiliated consolidated companies, is listed in the 2019 Annual Report, p. 168 et seq. – NfR

The group of consolidated companies also comprises the companies of UASC Ltd. (United Arab Shipping Company). They were included in the consolidated financial statements of Hapag-Lloyd AG at the time of the transfer of control on 24 May 2017. As a result, the financial indicators for 2017 presented in the NfR can only be compared to the 2016 and 2018 figures to a limited extent.

– NfR

## INDEX ON THE NON-FINANCIAL REPORT

### CSR-RUG RELEVANT REPORT CONTENTS IN THE SUSTAINABILITY REPORT 2019\*

		CHAPTER	PAGE
<b>Description of the business model</b>		Hapag-Lloyd	06-09
<b>Environmental aspects</b>	Emissions: air pollutants	Environmental and climate protection	72-73; 76; 85
	Emissions: greenhouse gases	Environmental and climate protection	68; 72; 76
	Energy use	Environmental and climate protection	68-72
		Supply chain and customer focus	85-87
	Protection of the sea and marine biodiversity	Environmental and climate protection	77-78
	Health and safety	53-56	
<b>Employee aspects</b>	Training and education	Employees	38-39; 42-43
	Occupational health and safety	Health and safety	48-58
<b>Combating corruption and bribery and upholding human rights</b>	Compliance	Hapag-Lloyd	23-27
	Human rights in own operations	Hapag-Lloyd	24
<b>Other topics</b>	Data protection and IT security	Digitalisation and digital security	64-66
	Customer satisfaction	Supply chain and customer focus	89-90
	Business strategy considering both sustainability opportunities and risks	Hapag-Lloyd	12-19
	Service/process quality	Digitalisation and digital security	60-61
		Supply chain and customer focus	89

\*Reference is made to the chapters and sections where the matter is mainly addressed.

The scope of disclosures regarding the ships deployed is indicated by the following phrasing.

- If the disclosure pertains to the entire fleet including charter ships, the phrases “all ships” or “the entire fleet” are used.
- If the disclosure pertains to all of our own ships from all Fleet Management organisations, we say “our ships” or “our fleet”.
- In some cases, the disclosure only pertains to our ships registered under the German flag. In such cases, we speak of “ships registered under the German flag” or “ships under the German flag”. – NfR

Disclosures relating to marine personnel refer to our own staff. – NfR

References to disclosures outside the Group management report constitute additional information and are not part of the NfR. – NfR

The social requirements under CSR-RUG are of major importance to Hapag-Lloyd but do not fulfil the materiality criteria of CSR-RUG. – NfR

The formulation of topics has changed slightly compared with the previous year. New topics have also been declared relevant under CSR-RUG. The reason for this is the materiality analysis conducted in 2019 (see Hapag-Lloyd, p. 05 et seq.). – NfR

An essential connection relevant for understanding the amounts in the consolidated financial statements was not established. – NfR

The topic of supply chain refers to all aspects which have been identified as being subject to mandatory reporting; the topic itself, however, does not require reporting. It is covered in a separate chapter. – NfR

The NfR is published every year in English and German on the Hapag-Lloyd website. In it, Hapag-Lloyd reports on the progress made in the financial year under review, from 1 January to 31 December. This NfR concerns the 2019 financial year. – NfR

The content of the NfR was subjected to a voluntary operational audit in accordance with ISAE 3000 (Revised) with limited assurance by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. The audit assignment and result can be found in the Independent practitioner's report on a limited assurance engagement on non-financial reporting at the end of this SR. – NfR

The NfR is based on the internationally recognised Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards). We based our reporting on GRI Standard 103 as regards the presentation of concepts for the NfR-related aspects. Non-financial indicators based on the relevant GRI Standards have also been reported for these aspects wherever such standards exist. Some of the content of the report is marked for the NfR as well as for the GRI Standards. This content was not checked against the requirements of the GRI Standards. – NfR

This report (SR) has been prepared in accordance with the GRI Standards Core option.

The information was requested electronically and the data were predominantly recorded using area-specific software. When adding up and transferring data, rounding differences may occur. All forward-looking statements in the NfR are based on the assumptions valid at copy deadline. Due to unknown risks, uncertainties and other factors, the actual results, developments or performance of the company may differ from our forecasts, assessments and announcements (see Management Report, p. 50 et seq.). – NfR

To ensure legibility, we do not use gender-specific double pronouns in the NfR. This is not intended as indicative. All pronouns should be regarded as gender-neutral. – NfR

This report frequently refers to the industry-specific twenty-foot equivalent unit (abbreviated TEU), which is an international standard unit for shipping containers.

The statements on the group of consolidated companies and on the reporting period as well as on the gathering of information and on legibility also apply to the SR.

You can find further information at [Hapag-Lloyd.com/en](http://Hapag-Lloyd.com/en) and in the annual report. The next sustainability report is scheduled for publication in April 2021.

# Hapag-Lloyd

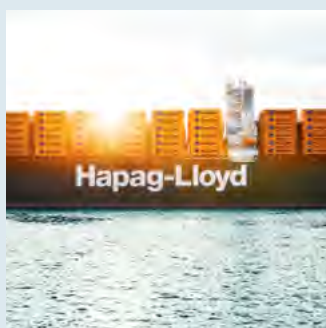
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### REDIRECTING THE FOCUS

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Which sustainability topics are relevant for us today? We considered this question in 2019 by asking stakeholders and carrying out a materiality analysis. In this report, we provide in-depth information on the topics identified as material.

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# Our profile

Hapag-Lloyd is one of the world's leading container liner shipping companies and a high-performance partner. With our Strategy 2023, we want to differentiate ourselves through our exceptional quality and customer orientation, and further strengthen our position on the market. To do this, we will draw on our many years of experience, broad service network, digital solutions and agile working methods. – NfR

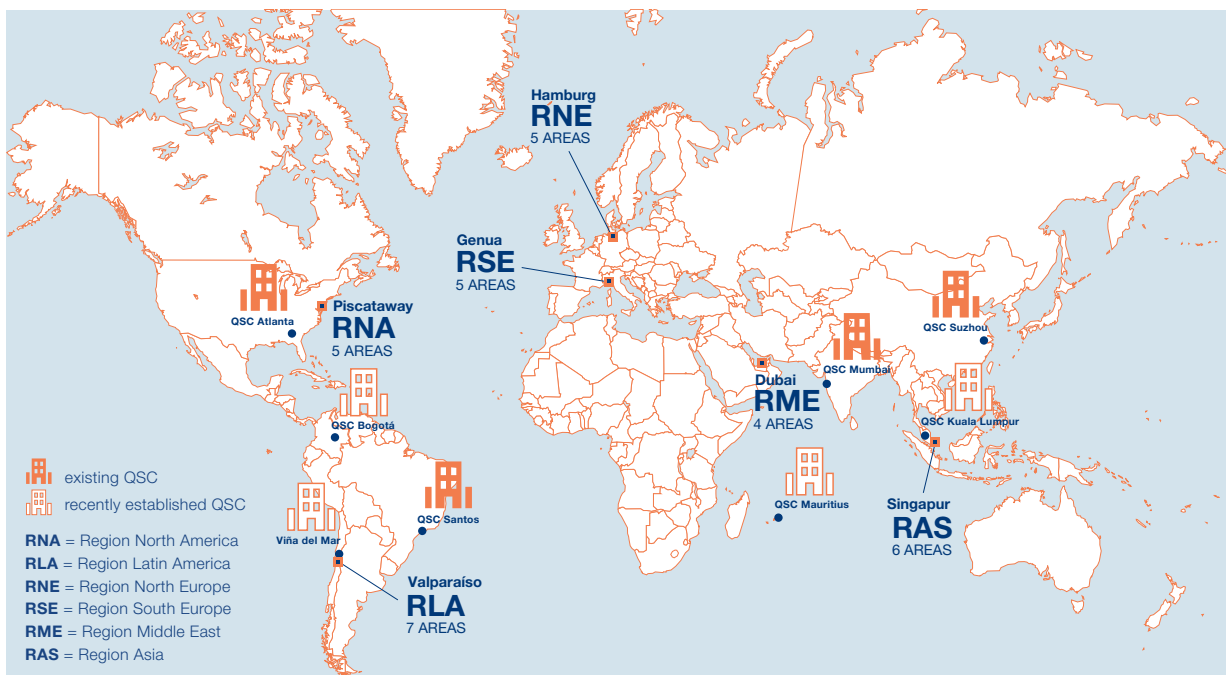
## OVERVIEW OF THE GROUP

Hapag-Lloyd's core area of business primarily concerns the shipping of containers by sea. We also offer door-to-door transport services around the world, and support our customers with pre-carriage and on-carriage by inland waterway, rail and road. With these services, our global market coverage, transported container volume and transport capacities, Hapag-Lloyd has positioned itself as

one of the world's leading container liner shipping companies. We ensure our high quality standards with long-term partnerships and proven suppliers. – NfR – 102-2

Since the company was founded in 1847, the Hapag-Lloyd headquarters have been located in Hamburg. Today, around 13,000 employees (Hapag-Lloyd AG: around 3,500) work for us in 59 countries. We have 239 modern container ships (previous year: 227) and ship an annual

## OVERVIEW OF THE REGIONAL HEADQUARTERS AND QUALITY SERVICE CENTERS – 102-3, 102-4



transport volume of around 12 million TEU<sup>1</sup>. Globally, we operate 121 liner services, which enable us to offer fast and secure connections. – NFR – 102-3, 102-7

Since 2019, we have conducted operations in six regions – Asia, Middle East, North Europe, South Europe, North America and Latin America. The Mediterranean region gained significance for us as a result of our merger with the United Arab Shipping Company (UASC) in 2017, so that we divided our former Region Europe into the Regions North Europe and South Europe. By doing this, we hope to strengthen our competitive position in this attractive growth market and take advantage of new opportunities. We will also be able to increase our quality, efficiency and profitability through more proximity to the customer. – 102-4, 102-6, 102-10

Each of the six regions has its own regional headquarters. These are in Hamburg (Germany), Genoa (Italy), Piscataway (USA), Valparaiso (Chile), Singapore and Dubai (United Arab Emirates). The organisational structures of the regions are based on a highly efficient principle that is identical worldwide: each regional headquarters has its own Business Administration, Operations and Sales as well as Customer Service departments. – 102-4, 102-6, 102-10

The regions are in turn divided into areas which also cover the functions mentioned above. Due to restructuring activities in the Europe, Middle East and Asia regions, we have reduced the number of areas from 35 to 32. – 102-4, 102-6, 102-10

<sup>1</sup> Twenty-foot Equivalent Unit

You can find information about the shareholder structure and the composition of the Supervisory Board, as well as Hapag-Lloyd’s diversity concept, in our latest annual report (see 2019 Annual Report, pp. 28 et seq., 30 et seq. and 54 et seq.). – 102-5, 102-18, 405/103

**Improved customer service through Quality Service Centers – 102-10**

Quality is a key cornerstone of our Strategy 2023. Therefore we are creating more Quality Service Centers (QSC), which will improve our organisational structure and future processes. The QSCs centralise the selected functions Customer Service, Operations and Business Administration at a site. This enables us to bundle expertise and create additional synergies such as improved consistency and service quality. It also simplifies ongoing improvements in processes. Due to the size of the units, we are able to significantly improve our training, representation and coverage of spikes in workload, thus ultimately providing our customers with better service.

Our long-term goal is to establish a QSC in every region. In October 2019, for example, we opened a new QSC in Area Brazil and relocated the Customer Service, Operations and Business Administration departments of five cities to the Santos site. In the process, we also created new jobs there.

We now have QSCs in Suzhou (China), Atlanta (USA), Mumbai (India) and Santos (Brazil). In 2020, four additional QSCs will probably go into operation in the Asia, Latin America and Middle East regions.

**WORLDWIDE DOOR-TO-DOOR CONTAINER TRANSPORT**



**Our services – 102-2, 102-4, 102-6, 102-7**

Around the world, our 392 sales offices (2018: 407) and sales partners as well as our headquarters managed transports for around 30,600 customers in the 2019 financial year (2018: around 30,200). – NfR

We ship goods from eleven product categories, from food to engineering products. The transport volume is divided roughly evenly between the categories: the smallest product category accounts for 5%, the largest for 16% of the transport volume (see 2019 Annual Report, p. 71 et seq.). This makes our business relatively unaffected by economic cycles within individual industries, allowing us to maintain steady growth under normal economic conditions. – NfR

In principle we transport all authorised goods; however, we exclude the transport of controversial goods which we have defined in an exclusion list (see Environmental and water protection, p. 77 et seq. and Dangerous goods, p. 57 et seq.).

We do not currently call in Iran or Cuba for geopolitical reasons.

**Group-wide Strategy 2023**

In late 2018, we created guidelines for Strategy 2023, which will support our long-term, profitable and organic growth in the coming years. Key cornerstones of Strategy 2023 are securing Hapag-Lloyd's position as a global player and establishing our company as the quality leader in the industry. – NfR

We measure the success of our initiatives on the basis of developments in the transport volume and the key performance indicators of EBITDA and EBIT, as well as by non-financial indicators such as a Net Promoter Score (NPS), which provides us with information about customer loyalty. – NfR

In the course of implementing our strategy and to promote customer satisfaction, in 2019 we carried out two customer surveys and took measures to optimise the entire door-to-door transport route. The goal is to improve the punctuality of our deliveries and to project arrival times more precisely. In future, we want to use digital solutions to standardise the recording and measurement of our punctuality (see Customer focus, p. 89 et seq. and Digitalisation, p. 60 et seq.). – NfR

In addition, we want to increase our profitability – another key aspect of Strategy 2023 – across the entire transport route. We will accomplish this by increasing the proportion of door-to-door business in conjunction with our partners by 2023 for example (see Digitalisation, p. 60 et seq. and Sustainable procurement, p. 82 et seq.). – NfR

We will rely on systematic digitalisation, increased automation and agility to achieve these targets. By using new digital technologies and agile methods, we will achieve continual optimisation of our internal processes and systems (see Digitalisation, p. 60 et seq. and Customer focus, p. 89 et seq.). – NfR



We have also included environmental awareness in the new Group strategy. Our high internal environmental standards will contribute to our differentiation in the market over the long term. It is a matter of course for us to comply with all environmental requirements and to implement the necessary technical and organisational changes with the greatest care and attention (see Climate protection and reduction of emissions, p. 69 et seq.). – NFR

For a more detailed presentation of the Group strategy, please see the 2019 Annual Report, p. 56 et seq.

#### Strong partner in THE Alliance – 102-7, 102-13

Hapag-Lloyd is a founding member of THE Alliance. Together with our partners in Asia, we link 75 ports (2018: 74) worldwide with a fleet of 251 ships (2018: 246) covering 29 major east-west routes (2018: 30). Our customers also benefit from our extensive port coverage, efficient fleet and fast transit times. Regular communication within the alliance ensures optimal, flexible ship deployment in the network. As of 1 April 2020, the Korean shipping company HMM (Hyundai Merchant Marine) will join THE Alliance; the collaboration will continue until 2030.

#### ECONOMIC DEVELOPMENT – 201-1

In 2019, we recorded an increase in the fleet from 227 ships (2018) to 239, and a corresponding increase in transport capacity from 1.64 million TEU (2018) to around 1.71 million TEU. Our container capacity amounted to around 2.54 million TEU in the reporting year (2018: around 2.56 million TEU). Our transport volume increased from 11,874 TTEU the previous year to 12,037 TTEU, partly due to new services in Africa and India.

Our revenue increased by around 9% to EUR 12,608 million (2018: EUR 11,618 million), while EBITDA for the financial year reached EUR 1,986 million (2018: EUR 1,139 million). Our operating result (EBIT) of EUR 811 million in 2019 was higher than in the previous year (2018: EUR 444 million)<sup>2</sup>. The freight rate was 1,072 USD/TEU in the 2019 financial year and thus above the previous year's level of 1,044 USD/TEU (2018).

For more information, please refer to the 2019 Annual Report, p. 81 et seq.

<sup>2</sup> Due to the change in presentation of the consolidated income statement, the previous year's figures have been adjusted. As a result, EBIT in 2018 increased by EUR 0.5 million from EUR 443.0 million to EUR 443.5 million. EBITDA in 2018 also increased by EUR 0.5 million from EUR 1,138.1 million to EUR 1,138.6 million. Revenues in 2018 were adjusted by EUR 102.4 million from EUR 11,515.1 million to EUR 11,617.5 million.

#### STRUCTURE OF THE HAPAG-LLOYD GROUP'S CONTAINER SHIP FLEET

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Number of vessels	239	227	219	166	177
thereof					
Own vessels	95	95	102	72	68
Leased vessels	17	17	14	3	3
Chartered vessels	127	115	103	91	106
Aggregate capacity of vessels (TTEU)	1,707	1,643	1,573	963	966
Aggregate capacity of containers (TTEU)	2,540	2,559	2,349	1,576	1,564
Number of services	121	119	120	128	121

The data for 2017 relates to Hapag-Lloyd's fleet, including UASC (United Arab Shipping Company).

## INTERVIEW WITH ULF SCHAWOHL

# Quality through cooperation: Achieving more together



Ulf Schawohl has worked for Hapag-Lloyd in a number of different roles since 1980. In 2011, he took over as head of the Network & Cooperations Department, before being appointed manager of the central Network Department in 2014. Network & Cooperations focuses on the global deployment and coordination of Hapag-Lloyd ships and charter ships in order to manage bottlenecks and high cargo volumes. This department is also responsible for joint services and alliances with other shipping companies.

**THE Alliance was founded by Hapag-Lloyd, the three Japanese shipping companies NYK, MOL and “K” Line, and the Taiwanese shipping company Yang Ming. This collaborative relationship began on 1 April 2017. What has your experience of collaboration within the alliance been like over the past few years? Did the start of the collaborative relationship bring with it any challenges? Does THE Alliance offer any particular benefits for customers?**

So far, collaboration with our partners has been positive in every respect. Of course, there have also been occasional challenges which have arisen in the course of day-to-day operations, usually driven by divergent commercial interests, but at the end of the day, we always manage to work together to find a solution. These challenges are especially great during the early stages of a new alliance. Each shipping company has different areas of focus, which are pooled together to form a complete product. For our customers, this is reflected especially in the expansion of the service network and thus in the flexibility of ship deployments and the reliability of scheduling.

**When one looks back to 2017, which was an eventful year, it is interesting to note that this was the year in which the merger of the three aforementioned Japanese shipping companies was agreed, resulting in the establishment of ONE. That same year, Hapag-Lloyd merged with UASC. Do you believe that the major consolidation phase within container shipping is now over? What are your reasons for this?**

I think that for the time being, there will not be any further consolidation within the sector among the largest shipping companies, as a merger between these companies would not yield increased benefits proportional to the new company size. For us specifically, this means that we are choosing to focus on quality aspects. Our strategy for 2023, which is centred around the customer, includes continuous and efficient improvement of scheduling,



ensuring that we will continue to be able to offer competitive products in future.

**THE Alliance is set to be strengthened further in future with the addition of another important partner, the South Korean shipping company Hyundai Merchant Marine (HMM). What do you think the positive effects of having a new member will be for THE Alliance and thus Hapag-Lloyd?**

For one, this will expand our service network. The main benefit is most certainly that over the next two years, HMM will bring new ships in the 23,000 TEU and 15,000 TEU size segments to the alliance. As these newly built vessels are state of the art, Hapag-Lloyd will be improving its ecological footprint for containers transported on these ships.

**Top image:**

In the interest of the customers, all those involved in the alliance are pulling in the same direction.

**Bottom image:**

Cooperation will enable our partners to transport even more containers worldwide.



# Sustainability management

Responsible corporate governance is a part of our identity. We want to work in such a way that the opportunities and outlook for future generations are not jeopardised. To guarantee this, we have introduced relevant structures and processes and actively promote the sustainable thinking and behaviour of our staff using a wide range of measures. – NFR

## SUSTAINABILITY STRATEGY AND OBJECTIVES

As a traditional Hanseatic company, value-based, responsible actions are firmly anchored in our corporate culture. Our sustainability policy defines our concept of sustainability in the form of binding guidelines and principles. In them, we commit to protecting the environment, to providing our customers with the highest quality, to securing satisfactory returns for our owners and to ensuring the health and safety of our employees. They supplement the content of the Global Code of Ethics, in which we have formalised our aspiration to comply with all laws and internal codes of conduct, without exception.

Hapag-Lloyd's management continually develops the company's strategic direction with an eye towards raising awareness and fulfilling our quality and environmental objectives. We are engaged in ongoing, open dialogue with our various stakeholders. This helps us to continuously improve our quality, environmental and safety standards (see Hapag-Lloyd, p. 05 et seq.).

Our employees around the world are the cornerstone of our company's success. As an employer, we want to encourage their long-term loyalty. We therefore invest in their training and further education and offer additional attractive benefits (see Employees, p. 29 et seq.) as well as a safe and healthy working environment (see Health and safety, p. 47 et seq.). In the interest of a healthy employee structure, we have our HR conditions and processes checked via internal and external audits.

We make targeted investments in the digitalisation and automation of our work in order to constantly improve the quality of our service. The Digital Business and Transformation (DB&T) department plays a major role in shaping the digital transformation of our company, supporting the optimisation of our processes throughout the Group (see Digitalisation and digital security, p. 59 et seq.).

Our aim is to keep our impact on the environment and climate as low as possible. We have implemented high environmental standards for this purpose and use cutting-edge technology as one method of ensuring compliance with them. Our activities focus on reducing our energy consumption and the CO<sub>2</sub> emissions of our fleet. We review the efficacy of our measures through internal and external audits (see Environmental and climate protection, p. 67 et seq.). We also implement various preventive measures in order to protect people, the environment, cargo, and property, plant and equipment. These include audits according to ISO standards, the implementation of the safety management system on all our ships and the inclusion of environmental protection in the emergency manual. – 102-11

The high standards that we set ourselves also apply to our suppliers and subcontractors. Together with our business partners, we continually seek solutions for improved sustainability in our transport chain (see Supply chain and customer focus, p. 81 et seq.).

With our social involvement, we actively contribute to society in many different ways above and beyond our direct



business activities (see Corporate social responsibility, p. 91 et seq.).

### **Certified quality and environmental management**

– 302/103, 305/103, 306/103

One major aspect of our sustainability management strategy is our quality and environmental management (QEM) system, which is certified in accordance with ISO 9001 (quality management) and ISO 14001 (environmental management). Certified sites in the regions and our headquarters are audited annually by DNV GL with regard to requirements. – nfr

Components of the ISO 9001 audit include occupational safety, employee training, customer focus and evaluation of service providers. The ISO 14001 audit includes topics such as the efficient utilisation of resources and reduction of negative environmental influences. The existing certification confirms our compliance with requirements. Nonetheless, we use the audit results in line with their objective in order to continually improve our processes. – nfr

In 2019, around 160 (Hapag-Lloyd AG: around 90) internal and external audits were conducted worldwide. Because

new areas and one region formed in 2019 since the last monitoring audit, they have not yet been included in the QEM certificate. In general, we integrate new regions, areas, locations and ships into the QEM system in a timely manner. Shore-based staff are trained in QEM via mandatory Web-based training sessions, ensuring that they too meet our high standards of quality and environment. – nfr

There are more than 130 QEM delegates active worldwide in the regions, areas and/or central departments, as well as on ships (Hapag-Lloyd AG: more than 60). They support the operational sustainability work of Sustainability Management by coordinating QEM and other sustainability activities and ensuring that the QEM system is implemented at the global sites. They participate in annual QEM meetings in which Sustainability Management reports on the progress of external audits and any deviations, as well as on our reporting in the context of the sustainability report. – nfr

The fleet management for our 41 ships registered under the German flag has carried the “DNV GL Excellence – 5 Stars” certification for 12 years. Certification unites the requirements of several standards to go above and beyond these recognised standards and regulations: implementation of workplace safety measures in accordance with MLC 2006, and certifications in accordance with ISO 9001, ISO 14001, the International Safety Management (ISM) Code and the International Ship and Port Facility Security (ISPS) Code on the prevention of maritime security risks. Hapag-Lloyd was the first container liner shipping company to be awarded this standard. – NFR

**Continued development of sustainability management**

As in previous years, we made gratifying progress with our sustainability management in 2019. For example, we developed our sustainability reporting and communication, worked on CO<sub>2</sub> calculations and intensified the management of our QEM system. We will also aim at continued development of sustainability management in the future. At the core of our efforts is the implementation of our measures in line with Strategy 2023.

Another focus is the expansion of our contribution towards protecting people and the environment. For this reason, in 2018 and 2019, Sustainability Management dealt extensively with the United Nations Sustainable Development Goals (SDGs) and linked them with our business activities. We communicated the results to all staff on the intranet and asked them to take part in the global survey on sustainability and the SDGs of our partner, Hamburg-based sustainability consultants Schlange & Co.

We analysed in detail how competitors and companies from other industries contribute to achieving the SDGs. Subsequently, we compared the existing activities, measures and initiatives from a number of our different areas with the content of the SDGs. We wanted to know which positive contribution Hapag-Lloyd makes towards the 17 SDGs and their 169 subgoals. Hapag-Lloyd already contributes to the following United Nations Sustainable Development Goals:

**WE SUPPORT THE SDGS**



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

**PAGE**  
38



Take urgent action to combat climate change and its impacts

**PAGE**  
69



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

**PAGE**  
23



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

**PAGE**  
23, 33,  
50, 53



Conserve and sustainably use the oceans, seas and marine resources for sustainable development

**PAGE**  
77



Strengthen the means of implementation and revitalise the global partnership for sustainable development

**PAGE**  
16, 23

Notes on the relevant targets are included at the start of each chapter of this report to facilitate location of Hapag-Lloyd’s contributions to individual SDGs.

**ORGANISATION OF SUSTAINABILITY MANAGEMENT – 102-18**

Sustainability management at Hapag-Lloyd is the responsibility of the Sustainability Management department, which is part of Corporate Development and reports directly to the Executive Board. It coordinates and supports all our sustainability activities including environmental management of land-based operations as part of our Group-wide QEM system, as well as ISO 9001 and 14001 certifications on land. Environmental management of sea-based operations is the responsibility of Fleet Management and the Environmental Management department.

– NfR

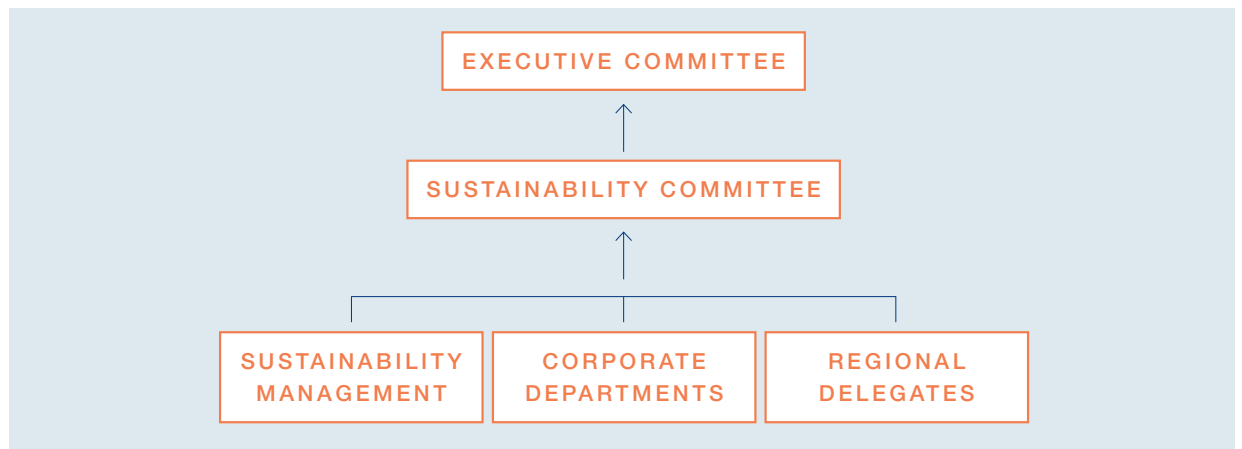
Sustainability Management is also in charge of preparing the Group’s sustainability report, answers questions on sustainability-related topics, and coordinates working groups on topics related to sustainability.

– NfR

Sustainability Management informs the Sustainability Committee – which comprises divisional managers and regional representatives – about ongoing sustainability activities. It assists with efforts to identify sustainability opportunities and risks, promotes the sharing of information across divisions and is involved in coordinating sustainability-related measures. The Head of Corporate Development chairs the meetings of the Sustainability Committee and reports directly to the Executive Committee, which the Executive Board is part of.

– NfR

**HAPAG-LLOYD’S ORGANISATION OF SUSTAINABILITY MANAGEMENT – NfR**



# Material topics and risks

As a global service provider, our business and day-to-day decisions are heavily influenced by developments in society, the environment and the global economy. Our stakeholders communicate their concerns to us in a variety of ways. We carefully analyse which topics and associated risks are of particular significance for our corporate governance and focus our work on them. – NfR

We carried out a materiality analysis again in 2019, which enabled us to update the results from 2016 (see Material topics, p. 16 et seq.). We also carried out a net risk analysis as part of our Group-wide risk management system in order to identify relevant risks<sup>3</sup> (see Risk management, p. 18). – NfR

## MATERIAL TOPICS – 102-43, 102-46

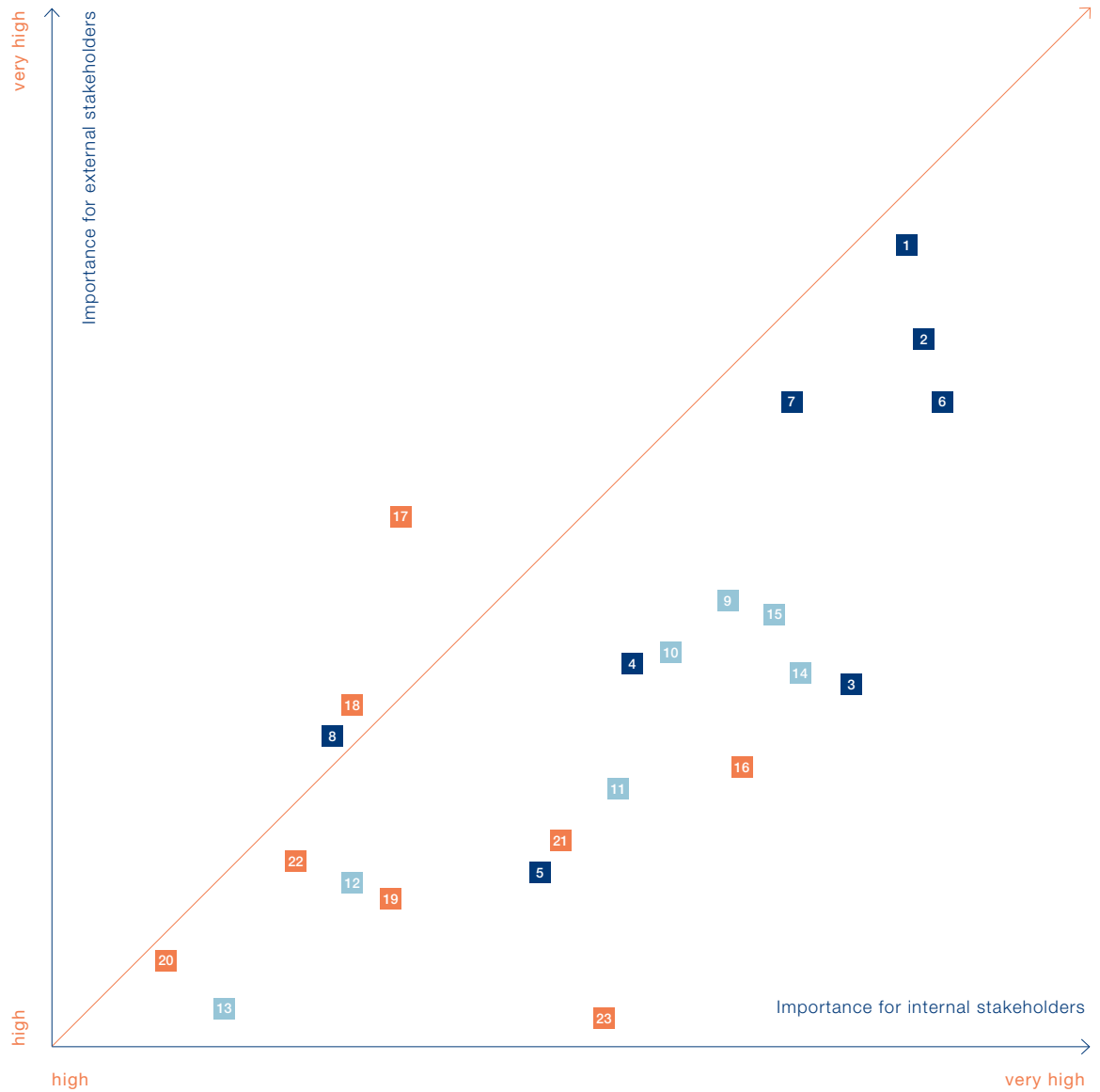
In late 2019, we carried out a materiality analysis in order to obtain a current overview of the most relevant sustainability-related topics for our company and our stakeholders. To do this, we first compared existing material topics with the competition and discussed them with the involvement of an external consultancy. In doing so, we revised the distinctions between the topics and took up new ones. The list comprised a total of 23 potentially material topics from the areas of social commitment, the environment and economy. – NfR

<sup>3</sup> Risks are deemed to be relevant if they are associated with Hapag-Lloyd's business activities, business relationships, products or services; they are deemed very likely to occur; and they have serious negative effects on aspects such as the environment or social involvement, for example. Other topics that are relevant for the risk analysis include employee matters, observance of human rights and efforts to combat corruption and bribery.



Hapag-Lloyd wants to contribute fairly to society and is involved in numerous associations, working groups and institutions. For example, we are an active member of Clean Cargo and the Ship Recycling Transparency Initiative.

MATERIALITY MATRIX – 102-44, 102-47



**Economy**

- 1 Compliance – NfR
- 2 Data protection and IT security – NfR
- 3 Digitalisation
- 4 Business strategy considering both sustainability opportunities and risks – NfR
- 5 Innovation and research
- 6 Customer satisfaction – NfR
- 7 Service/process quality – NfR
- 8 Tax policy/transparency

**Environment**

- 9 Emissions: greenhouse gases – NfR
- 10 Emissions: air pollutants – NfR
- 11 Energy use – NfR
- 12 Disposal of waste and effluents
- 13 Sustainable materials and recycling
- 14 Protection of the sea and marine biodiversity – NfR
- 15 Environmentally friendly transport chains

**Social**

- 16 Training and further education – NfR
- 17 Occupational health and safety – NfR
- 18 Labour standards and human rights in the supply chain
- 19 Diversity and equal opportunities
- 20 Corporate citizenship
- 21 Human rights in own operations – NfR
- 22 Social benefits
- 23 Work-life balance

Categorisation of the topics in the matrix is based on the stakeholder survey and should be regarded as independent of the CSR-RUG.

The material topics under CSR-RUG were identified by Sustainability Management on the basis of this information. In the process, criteria were taken into account which dealt with the impact of business activities on the non-financial matters, and their relevance to Hapag-Lloyd's business activities. The identified topics were categorized according to the following relevant aspects: environment, employees, combating corruption and bribery and observance of human rights. These are included in Hapag-Lloyd's non-financial report (NfR) (see Index on the non-financial report, p. 03).<sup>4</sup> – NfR

The topics "Business strategy considering both sustainability opportunities and risks" and "Service/process quality" are each addressed directly within the NfR sections when relevant. The social matters under CSR-RUG are of major importance to Hapag-Lloyd but do not fulfil the materiality criteria of CSR-RUG. Beyond the NfR itself, this SR also reports on other topics that are important to us but do not meet the materiality criteria of the CSR-RUG, such as our diverse activities in the social arena (see Social, p. 91 et seq.). – NfR

## RISK MANAGEMENT

Awareness of sustainable approaches and actions with regard to quality, the environment and occupational safety is a fixed component of our corporate policy and thus also our risk management. The prerequisite for our lasting success is the integrity of our corporate and risk strategy, which ensures early identification and proactive management of the risks and opportunities that result from our business operations. – NfR

Risks to the Company's existence will be handled responsibly by means of a Group-wide Hapag-Lloyd risk management system, which represents the procedure for the identification, analysis, management and control of our corporate risks. – NfR

### The risk management system

In order to effectively manage increasingly complex financial and non-financial risks, and to further increase the value of the Company, Hapag-Lloyd uses its risk management system as an important tool for corporate governance. – NfR

The risk management system has a multi-level structure. The identification of material risks is the responsibility of the divisions or regions, who communicate these within the organisation. The relevant Risk Manager consolidates the risk information and continually monitors it or initiates risk mitigation measures. The risk managers in the regions and specialist departments are experts in their respective areas, and their awareness goes beyond the operational and financial impacts of risks to include social and ecological aspects such as compliant fuel, ship recycling and training and further education. – NfR

The material risks and analysis of the risk portfolio are compiled by the Group risk management system. This serves the Risk Committee as the basis for monitoring the overall risk situation. The Risk Committee reports quarterly – or on an ad-hoc basis where required – to the Executive Board, which is responsible for safeguarding the efficacy of the risk management system. The Audit Committee monitors risk management at the highest level and reports to the Supervisory Board. – NfR

### Systematic recording and evaluation of non-financial risks

During the reporting period, Sustainability Management honed the process for systematically recording and evaluating non-financial risks. Since December 2018, all areas and central departments covered by the QEM ISO certificate have been required to list relevant non-financial risks or risks from the areas of quality, the environment, social commitment, human rights, employees and corruption that exceed USD 100,000 net in a register for QEM risks. Methods and opportunities are also documented. The register is evaluated at least every three months for its accuracy and the effectiveness of the individual measures. In the process, an ongoing dialogue is maintained with Central Risk Management in order to avoid parallel or divergent processes becoming established, and also to create synergies. – NfR

<sup>4</sup> Sections containing topics which require reporting under CSR-RUG are marked NfR.



## RISK MANAGEMENT AT HAPAG-LLOYD – NfR



In the course of the first quarter of 2020, preventive measures were taken and corresponding actions in connection with COVID-19 implemented. Due to the uncertainty regarding the containment of the viral disease, the corresponding effects of COVID-19 have not yet been conclusively assessable. In this year's risk assessment, no risks subject to a reporting obligation were identified which were associated with our own business activities, business relationships, products or services or were deemed very likely to have serious negative effects on the non-financial matters, either now or in the future. The consideration of COVID-19 did not change this assessment. – NfR

## STAKEHOLDER DIALOGUE

– 102-40, 102-42, 102-43, 102-44

Hapag-Lloyd sees itself as a transparent company. As such, we maintain an active dialogue with our various stakeholders and include findings in our corporate governance. We use various formats to regularly communicate with them so we can discover their expectations and perceptions and hear their comments and ideas, then identify

areas for improvement and translate them into actions. An important aspect of this is our sustainability reporting, which we use to lay out a comprehensive view of our sustainability performance that goes beyond the legal requirements. When critical issues are addressed, we always communicate them in a clear and comprehensible way.

In 2019, Hapag-Lloyd was voted as having the best press office in the German logistics industry by the "Wirtschaftsjournalist" business magazine.

### Shareholder dialogue

As a listed company, it is our aim to provide transparent, timely and in-depth information about our strategy and perspectives on the company. The Executive Board and Investor Relations (IR) team regularly inform shareholders, analysts and potential investors about the development and direction of the company, as well as current potential risks, via the publication of annual and interim reports as well as personal discussions at events or at the Annual General Meeting. The IR area of our website also provides extensive information.

We currently see an increasing demand for ESG (Environmental, Social and Governance) topics on the part of investors. We meet this demand with one-on-one conversations at conferences or by answering specific questions, for example. In 2019, we also held separate conversations with investors and analysts which referred only to ESG topics. The key issues were air emissions and pollutants – primarily CO<sub>2</sub> and sulphur emissions – ballast water and contaminant leaks, governance and, increasingly, cybersecurity.

### Dialogue with our employees

We actively foster an open dialogue with our employees, and it is our aim to reduce (perceived) hierarchies within the company. In addition to the annual employee meetings (Global Staff Dialogues), we do this in part using unusual formats like the weekly Lunch with the Management, breakfast with the Executive Board in Hamburg, and regular meetings where staff present their activities to their colleagues. By organising tours of container ships for employees based in Hamburg, we also promote dialogue between our marine and shore-based personnel.

We inform our staff around the world about key topics and interesting activities on an ongoing basis via the intranet, as well as through our quarterly employee magazine. The regular dialogue between the Executive Board

and the Works Council is another major form of internal dialogue.

As part of a global employee survey, we integrated our staff into the process to redefine our corporate values during the reporting period. The topics of environmental protection and sustainability were rated as very important (see Corporate values, p. 44).

### Dialogue with customers and business partners

We engage in regular dialogue with our customers, business partners and suppliers. In addition to cargo and data security, our customers are increasingly interested in topics related to sustainability – particularly our environmental impact and CO<sub>2</sub> emissions. The information requested may extend from a calculation of our CO<sub>2</sub> footprint to answering questionnaires about emissions. We engage in dialogue with our suppliers in the course of shared projects such as terminal partnering (see Sustainable procurement, p. 82 et seq.).

In 2019, we primarily exchanged information with our customers and business partners about IMO 2020 requirements and our implementation strategy. Two customer surveys were carried out during the reporting period (see Customer focus, p. 89 et seq.).



### Dialogue with non-governmental organisations

In communicating with non-governmental organisations (NGOs), we aim to facilitate mutual understanding of important and critical topics and to actively contribute our expertise in order to work on solutions together. We do this through personal discussions, participation in conferences and collaboration with committees. The topics we focus on here include ship recycling, pollution emissions and the transportation of controversial goods (see Environmental action, p. 93 et seq.). We work in partnership with the environmental organisations OceanCare and WWF and conduct open discussions with NABU. Hapag-Lloyd employees are also available to German environmental organisations as speakers. Thanks to our membership of the World Shipping Council, we are in dialogue with the International Foundation of Animal Welfare in order to protect blue whales in Sri Lanka. Together with the environmental organisation Ocean Conservancy, we have also engaged in dialogue with the Nike sportswear manufacturer and have signed the Ocean Conservancy's voluntary Arctic Shipping Corporate Pledge. This pledge commits us to avoid the use of Arctic shipping routes (see Environmental and water protection, p. 77 et seq.). During the reporting period, we also entered into dialogue with Hamburg-based representatives of the Fridays for Future movement.

### Dialogue with policymakers

Hapag-Lloyd is one of the world's biggest container liner shipping companies and Germany's largest liner shipping company. Our ongoing dialogue with politicians at the European, state and municipal level is very important for us because we want to bring our stringent Group-wide environmental standards into the industry.

At the European Union (EU) level, we are actively involved in the political decision-making process, for example with the formation of sustainable environmental legislation. In doing so, we want to ensure that our investments in more efficient and environmentally friendly ships do not put us at a competitive disadvantage. Furthermore, we want to prevent a situation whereby modernisations no longer meet newer environmental requirements after just a short period of time. In 2018, we entered a five-year membership in the European Commission's European Sustainable

Shipping Forum (ESSF). The forum discusses the restriction of sulphur content and many other topics, in order to minimise the environmental impacts of commercial shipping. During the reporting period, Hapag-Lloyd was active in two working groups which collaborated on four submissions to the International Maritime Organization (IMO). These submissions primarily related to the implementation of the new IMO 2020 regulations for low-sulphur fuels. In order to make our political involvement within the EU clear and comprehensible, we are listed in the Transparency Register of the European Commission.

At an international level, we have also discussed the possibility of applying to set up an Emission Control Area (ECA) with the Ministry of Transport of China.

At a state and municipal level, we conduct frequent discussions with the City of Hamburg, which is part owner of Hapag-Lloyd and a central stakeholder. As part of our accountability obligations, we regularly provide the city with information about the Company's economic performance and Hapag-Lloyd's strategic objectives. In a political context, we communicate our perspectives on infrastructural matters, such as the expansion of the port, the dredging of the Elbe and the modernisation of rail infrastructure. For this purpose, we publish the political newsletter "Hapag-Lloyd Inside" three times a year and send it to around 3,000 recipients in politics as well as various associations and chambers.

In December 2019, we once again organised a parliamentary evening for delegates from the Hamburg Parliament and members of the German Bundestag from Hamburg. During the course of the year, we also regularly seek out dialogue with the various political parties. Our Chief Executive Officer, Rolf Habben Jansen, is also frequently invited as a speaker to events in the field of politics or those held by politically active associations.

**Dialogue with the local community**

Hapag-Lloyd is a traditional Hamburg company, which is why maintaining a dialogue with our local citizens is close to our hearts. Every year, for example, we open our doors to interested Hamburg citizens as part of the Supply Chain Day (Tag der Logistik) and the Heritage Day (Tag des offenen Denkmals) and invite them to public cultural and informational events. In 2019, we organised the Albert Ballin Forum, a public podium discussion on the topic of globalisation in which prominent guests took part (see Albert Ballin Forum, p. 93). We also stay in touch with the public through the local press at our sites around the world.

**Memberships – 102-13**

Hapag-Lloyd is a member of various associations, working groups and institutions, and is committed to shaping and working on various topics. One example of this is the Präventionsfachausschuss See (Maritime Expert Committee for Prevention) of the German Employers' Liability Insurance Association (BG)-Transport. Another example is our joining the Ship Recycling Transparency Initiative (SRTI) in 2018. By joining the initiative, we want to guarantee environmentally friendly ship recycling with safe working conditions. In 2019, we joined the Digital Container Shipping Association and provide it with its Deputy Chair. The aim of the organisation founded in April 2019 is to harmonise standards between the major shipping companies and make it easier to exchange information on topics such as container tracking, port processes, cyber-attacks, etc. At the end of the reporting year, we also joined the Business & Human Rights Resource Centre, an international non-profit organisation. This non-profit is committed to compliance with human rights in a business and corporate context and promotes dialogue and the exchange of information on this topic. It also tracks and documents current national and international trends in terms of mandatory due diligence regarding human rights and the environment.

In this report, we focus on memberships where we have made a notable contribution or where major topics were advanced during the reporting period. Not all of our memberships are listed here.

**EXAMPLES OF MEMBERSHIPS AND COMMITMENTS**



**Clean Cargo**  
Improvement of the environmental performance of container transport via measurement, evaluation and reporting.



**Trident Alliance**  
Compliance with the new sulphur emission regulations, e.g. to ensure fair competition.



**EcoTransIT World Initiative (EWI)**  
Ongoing development of ETW (EcoTransIT World) and environmental impact assessment in the transport sector.



**Global Logistics Emissions Council**  
Consistent and transparent method for calculating emissions in the global transport chain.



**The UmweltPartnerschaft**  
Promotion of voluntary environmental protection by businesses as an innovation driver of green technology and a central platform for dialogue on environmental policy.



**Ship Recycling Transparency Initiative (SRTI)**  
Exchange of information on ship recycling in order to promote responsible practices.



**Maritime LNG platform**  
Reduction of emissions such as SO<sub>x</sub>, NO<sub>x</sub>, CO<sub>2</sub> and particulate matter (PM) with the aim of achieving cleaner and more cost-effective maritime and inland shipping.

# Corporate governance and compliance

It is only when our business partners trust our company and its management, and look on Hapag-Lloyd as a credible partner, that we can be economically successful over the long term. We achieve this through Group-wide corporate governance and compliance requirements, one of which is our Global Code of Ethics.

## CORPORATE GOVERNANCE – 102-12

Good corporate governance forms the core of responsible management that is geared towards sustainable appreciation. The Executive Board and Supervisory Board use the applicable laws, in particular the German Stock Corporation Act (AktG) and the German Corporate Governance Code (GCGC) to manage and monitor the Company. Both boards affirm their commitment to the GCGC every year with a Declaration of Conformity in accordance with Section 161 AktG. In addition, the Executive Board and Supervisory Board report on corporate governance in the yearly Corporate Governance Report (see 2019 Annual Report, p. 19 et seq.), which is published along with the declaration on corporate governance. It also lists the members of the Executive Board. – NfR

## COMPLIANCE

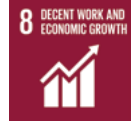
– 205/103, 205-2, 206/103, 307/103, 408/103, 409/103, 412/103, 419/103

We attach great importance to compliance with laws, standards and requirements throughout the entire company, without exception. Compliance not only ensures that we act within the law but is also of growing importance to third parties. – NfR

Regulatory frameworks continue to develop, however. For us as a global company, adapting to them is a continual

challenge as the increase in the legislative burden requires us to revise our processes and measures so we can implement applicable law throughout the Group and monitor compliance. – NfR

Our company also expressly supports fair competition. This includes compliance with all applicable national and international laws, particularly with regard to corruption,



One of Hapag-Lloyd's fundamental goals is to provide humane working conditions. Amongst other things, the Global Code of Ethics regulates compliance with appropriate working hours, minimum wages and fair remuneration.



We are expressly committed to fair competition as well as compliance with all applicable national and international laws, in particular with regard to corruption, bribery and price fixing. Compliance with laws, the avoidance of corruption and bribery, and compliance with human rights are guaranteed for our business partners via the Global Code of Ethics and the Supplier Code of Conduct.



“Contributing fairly to society”: Hapag-Lloyd is aware of its responsibility to provide fair, transparent company taxation, for example through its tax compliance management system.

bribery and price fixing. We do not tolerate any violations of laws that are associated with them. We also take legal action to pursue violations. A relevant statement from the Executive Board affirms our position on this. As a new member of the Executive Board, Dr Maximilian Rothkopf also signed this compliance statement during the reporting year. – NfR

Hapag-Lloyd joined the global anti-corruption network MACN (Maritime Anti-Corruption Network) in 2018. This underlines our mission to take an active role in combating corruption in the maritime industry. More than 100 players in the maritime industry have joined MACN since late 2018. MACN works with major stakeholders, including national governments and supranational organisations such as the United Nations Development Programme (UNDP). The aim is to identify and minimise corruption in the maritime shipping industry. Joint projects form the basis for the success of MACN, which focused on India, Argentina and Nigeria during the reporting period. – NfR  
– 102-12

#### Compliance organisation – 205-2

We implement our compliance organisation measures as part of Hapag-Lloyd's compliance programme, through which we ensure compliance with laws and external and internal guidelines. The Chief Compliance Officer heads the central Compliance department and reports to the Chief Financial Officer. Our compliance officers are responsible for implementing the Group-wide compliance programme in the regions and national affiliates. The

Executive Board and the Supervisory Board are regularly updated via compliance reports. – NfR

#### Global Code of Ethics – 102-16, 406/103, 407/103

The intrinsic values of our corporate culture form the basis for the work of the Compliance department. We have formalised them in the Global Code of Ethics and integrated them in numerous Group-wide and regional regulatory frameworks. In its Global Code of Ethics, Hapag-Lloyd defines the behaviour we expect from management and employees when working with colleagues, customers and partners, and which principles underlie this behaviour. The guideline is available in German, English, Chinese, Portuguese and Spanish. – NfR

The first basic value of the Global Code of Ethics is the observance of human rights. In this regard, the guideline draws directly on the United Nations' Universal Declaration of Human Rights. The code also reflects the content of the International Labour Organization's core labour standards, such as the prohibition of all forms of discrimination, as well as the prohibition of child or forced labour and sub-standard working conditions. It also formalises the right to freedom of association and collective bargaining. – NfR

The Ethics Committee is responsible for compliance with the Global Code of Ethics. It comprises the heads of the Compliance, Corporate Audit and Human Resources departments. – NfR



We continuously examine the extent to which the Global Code of Ethics and the Executive Board's compliance statement satisfy external compliance regulations and update them if necessary. – NfR

The content of the Global Code of Ethics also corresponds to the regulations of the Maritime Labour Convention (MLC). In order to ensure that these regulations – and our Global Code of Ethics – are complied with at sea as well, audits are carried out for the entire fleet by the respective flag state or classification society. In addition to this, there are audits by the Port State Control. The International Transport Workers' Federation (ITF) carries out on-board inspections on ships under its auspices to ensure compliance with these regulations. – NfR – 412-1

We also expect our business partners to comply with our values and code of conduct. Our suppliers are thus required to commit to the content of our supplier code of conduct (see Sustainable procurement, p. 82 et seq.) – NfR

#### Compliance training – 205-2, 407-1, 408-1, 409-1, 412-2

With our compliance management system, we implement measures that enable us to specifically prevent breaches of compliance. – NfR

An extensive training concept enables us to instruct our employees in compliance-relevant expertise and to raise awareness of the topic. The concept includes both face-to-face and online training and is continually enhanced. On-site training is divided into compliance management training, regular and topic-specific compliance training. One major topic covered by this training is corruption. – NfR

All of our shore-based personnel are required to take part in compliance training. In the past two years, we trained almost all of our shore-based personnel in on-site compliance training sessions. – NfR

The training concept also includes regular online training on the Global Code of Ethics. In 2018, we continued to develop the online training on competition law, anti-bribery and anti-corruption, as well as internal and external fraud. The training was launched in February 2019 for employees at all of our sites. In addition to the new content, we focus on highly interactive audiovisual training. The new training is generally based on simulations of potential business

scenarios that are highly recognisable to the participant. Participants rated the revised training design very positively, singling out the interactive, entertaining nature of the training and its practical relevance. – NfR

Training is a major component of the compliance programme and is mandatory for all employees on land. Around 100% of staff have already completed training. In some cases, for example, newly hired employees have not yet completed any training in the year under review. – NfR

#### PROPORTION OF EMPLOYEES TRAINED IN COMPLIANCE (2019) – NfR – 205-2



**Around 100%**  
(Hapag-Lloyd AG:  
around 99%)

of our shore-based personnel participated in Web-based training on the topics of compliance and corruption required for 2019.

We inform the marine personnel on board our ships, who are supported by Fleet Management, of compliance topics via the electronically distributed fleet circular and the owner's manual. Captains were trained on-site during the reporting period. – NfR

A new on-site training concept for our shore-based personnel is planned for 2020. We began developing the existing training programme in late 2019. The aim is to be able to offer module-based training in future. This will allow us to address specific topics more intensively in the training, depending on the function. – NfR



### Notification mechanisms

Internal and external informants can notify us of potential breaches in compliance via our whistle-blower system.

– NFR – 205-3, 406-1, 419-1

We specifically encourage our staff to report compliance violations, or suspected ones to their superiors, their local compliance officer or the central Compliance department. We assure them that they will not be disadvantaged by reporting, regardless of whether the violation proves to have occurred or not. The same applies to business partners that report a potential violation in good faith. – NFR

Our employees and business partners can also report violations to local law firms which have been commissioned by us. The law firms act as points of contact and mediators and ensure that the discussions are held in the relevant local language. The information may be anonymised in accordance with locally applicable whistle-blower protection laws and regulations before being forwarded to the Compliance department. – NFR

Our marine personnel can report compliance violations via a defined process known as the complaints procedure. The Maritime Labour Convention (MLC) provides the legal framework for this process, as well as a clear structure for reporting information to superiors, ship owners and/or external authorities, and for the resolution of a conflict. – NFR – 102-12

No significant violations in the areas of corruption, discrimination or child and forced labour were reported via the described whistle-blower system in the reporting period. – NFR

### Handling violations – 406/103

The Ethics Committee meets regularly, reviews suspected violations and arranges for measures to be taken. For serious breaches or suspected cases of child labour or forced labour, the committee meets immediately. Other than this, it meets once a month. If necessary, it can initiate suitable measures to address the issue (e.g. an investigation by Corporate Audit or external specialists). If criminal violations occur, we report them to the local authorities where appropriate. In addition, violations are prosecuted under labour law. – NFR

We investigate all suspected cases thoroughly. If there is credible evidence with a legal basis, we initiate the necessary legal or disciplinary measures. – NFR

If employees are found to have committed violations, this can lead to sanctions under employment law, such as an official warning. If a gross violation occurs, the employee's contract may be terminated, the matter reported to the relevant authorities or other legal steps taken. In the event of a serious, confirmed violation by a business partner, we reserve the right to terminate our relationship with the business partner immediately. – NFR



During the reporting year, there were no violations with criminal implications. – NfR – 205-3, 206-1, 406-1, 419-1

## RESPONSIBLE TAX POLICY – 201/103

### Our principles for a responsible tax policy

Responsible tax policies are coming under greater scrutiny in international corporations. Part of this is due to increasingly stringent legal requirements, though increasing public awareness is also playing a role. Due to events such as the “Panama Papers” and public investigations into the tax policies of corporations, public perception of this issue is highly critical.

As a traditional company, Hapag-Lloyd is aware of its responsibility to ensure fair and transparent company taxation and acts according to the guiding principle of “paying its fair share to society”. Our strategy pursues clearly defined principles:

- Transparent dialogue with stakeholders, particularly with the relevant tax authorities
- Strict compliance with all legal requirements regarding the relevant country-specific tax situation
- Punctual and correct payment of all corporate taxes, under consideration of the protective effect of any bilateral agreements for the avoidance of double taxation on corporate earnings
- Rejection of artificial company structures created solely for the purpose of lowering the tax burden
- Transparency with regard to our necessary operational presence in low-tax countries
- Implementation of structures and processes to ensure permanent monitoring and compliance with legal requirements with regard to company taxation (tax compliance management)

### Special tax characteristics of the shipping industry

In 1999, Hapag-Lloyd AG decided to make use of the possibility of having its commercial activities taxed in the Federal Republic of Germany on the basis of the transport capacities utilised (“tonnage tax”). Under this system, the

tax burden is determined by the capacity of the fleet, not by the earnings actually achieved. It requires a certain percentage of the fleet to be registered and managed in Germany and deployed as an international liner service. The tonnage tax enables Hapag-Lloyd to limit its tax burden in the Federal Republic of Germany, particularly in periods of high earnings. On the other hand, the tonnage tax must also be consistently applied during economically difficult years, which results in payment of income taxes regardless of whether the company has made a profit. The decision to pay tonnage tax is binding for a period of ten years. As a result, a review of the ten-year overall application period is necessary to determine whether the tonnage tax is, or was, beneficial or detrimental.

In 2019, income tax expenses for the Hapag-Lloyd Group under IAS 12 amounted to around EUR 43 million (see 2019 Annual Report, p. 201 et seq.). In addition, Hapag-Lloyd AG also pays cargo tax in various countries, i.e. income tax that is not based on net profit but on various parameters such as revenue, transport volume, etc. Total cargo tax expenses in 2019 came to EUR 19 million. Measured by the result before income taxes (including cargo taxes), the tax rate of the Hapag-Lloyd Group thus comes to approximately 14%.

Hapag-Lloyd continues to benefit from the wage tax exemption that was introduced in Germany in 2016 for marine personnel on ships registered under the German flag. The regulation was initially introduced for a limited period of five years.

There are also comparable taxation systems for shipping companies in other European countries. As government subsidies, they are subject to regular reviews by the European Commission (Directorate General for Competition; DG Comp) and must comply with the EU’s State aid guidelines. By using these provisions, Hapag-Lloyd can remain competitive at an international level while continuing to operate ships registered under the German flag and maintain the associated high standards under labour and social law. In its planning for the coming financial years, Hapag-Lloyd assumes that the Federal Republic of Germany will continue to maintain these subsidies, and that the European Commission (DG Comp) will consider these German benefits unobjectionable under EU State aid guidelines.

### Tax compliance management system

As a result of its global business activities, Hapag-Lloyd is liable to pay taxes in many countries and is subject to highly heterogeneous regulatory requirements. Within the context of the tightening of German criminal tax law, companies are obliged to implement a tax compliance management system for the protection of the company and its legal representatives. The more stringent regulations mean that even insufficient tax payments caused through negligence may still lead to the legal representative of the company being held personally liable. With the implementation of this kind of system, the company executives meet the increased demands in terms of the company's internal tax organisation, the selection of suitable specialists and the ongoing monitoring of company processes with regard to compliance with legal requirements in tax matters (duties of due diligence and control).

Hapag-Lloyd started implementing its tax compliance management system in late 2018. In doing so, Hapag-Lloyd is basing its system on the existing internal control system (ICS) and integrating the monitoring of tax processes into this system. These kinds of extensive, legally mandated tax control systems are by no means standard everywhere in the world. Hapag-Lloyd meets very high standards in terms of control and compliance with the requirements of tax law. The implementation of the system is expected to be completed by the second quarter of 2020.

Hapag-Lloyd is subject to regular tax audits around the world and these may lead to the payment of tax arrears. To the extent that the Company can expect to incur charges and these charges are quantifiable, these were accounted for by creating corresponding provisions.

### Country-by-country reporting

Because Hapag-Lloyd is active around the world and its Group revenue exceeds EUR 750 million, the company is subject to new requirements on the disclosure of certain country-specific corporate indicators, known as country-by-country reporting. This legal reporting requirement for the mutual disclosure of information draws on the Organisation for Economic Co-operation and Development's (OECD's) initiatives under the BEPS (base erosion and profit shifting) programme. Hapag-Lloyd is in full observance of the legal requirements for submitting country-by-country reports in the national headquarters of its Group parent company (Germany). As such, Hapag-Lloyd reports transparently about all of its company results and tax payments in the countries in which it is represented by its affiliates.

Alongside the traditionally complex German tax law, requirements in terms of transparency and documentation are also increasing in other countries such as the UK, where the publication of a company's tax policy or strategy is mandatory. In addition, the European Union (EU) is also setting new transparency standards in DAC6 reporting with regard to cross-border transactions in international corporations. This reporting standard requires that a wide range of cross-border arrangements and transactions to the affected EU member states be reported automatically by the companies themselves and their external consultants. The internal implementation of the new requirements in 2020 will require the expansion of our reporting requirements within the company, as well as the implementation of technical solutions for external notification to the relevant EU states. Hapag-Lloyd will, of course, fully comply with its new obligations.

# Employees

## Content of the chapter

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- Employee recruitment and retention 33
- Training and further education 38
- Open corporate culture 44



### STRONG CORPORATE VALUES FOR THE FUTURE



Our employees enjoy working for Hapag-Lloyd: this is borne out by the results of our survey on corporate values, in which more than 8,700 employees participated. We are revising our corporate values based on the survey and are developing a plan to implement them on a global scale.

# Management approach

– 401/103

We want to be a responsible and attractive employer to our staff worldwide. Their contribution makes it possible for us to provide our customers with the best service. We invest specifically in the training and further education of our skilled workers and managers, as well as in the professional and personal development of young talent. Maintaining a positive corporate culture and a healthy and safe working environment are very important to us. – NfR

Around 13,000 people are employed by Hapag-Lloyd around the world. This results in a range of challenges for our human resources management. One that we are confronted with in many countries is ensuring the right level of qualification for our staff. The size of the ships is increasing while crew numbers remain stable. This means that their workload is higher and our marine personnel are subject to new, more demanding requirements. In order to ensure that our employees are still able to work in a safe environment despite these developments, we increasingly use digital training tools. Particularly in the marine division, deployments are planned and the duration of service time is determined based on individual employee strengths and requests.

Recruitment and retention of qualified employees is also fundamentally challenging in our industry. We want to

recruit qualified specialists globally and ensure they stay with us over the long term. We do this by presenting ourselves as a future-oriented, modern employer that is still aware of its heritage, implementing numerous measures to boost our appeal as an employer. In Germany and other countries, we carry out targeted recruitment campaigns to counter the lack of qualified staff. Our own training in both the shore-based and marine divisions, global job opportunities, international work, transparent holiday and shift planning, family-friendly policies and permanent contracts in the marine division are other important factors. Our employees' long average period of employment shows us that our measures are successful.

## ORGANISATION OF HUMAN RESOURCES MANAGEMENT

The remit of the central HR Management team is to ensure that there are globally uniform standards for the relevant employee issues to the greatest extent possible, and to provide appropriate support to our regional units in their own HR activities. – NfR

The Human Resources (HR) area at our headquarters is responsible for our employees on land. It is divided into a German HR Management department (HR Germany) and an international department (Corporate HR and Global HR). A third area, Marine Human Resources (Marine HR), is responsible for our employees at sea. – NfR



### Multi-stage restructuring in human resources management

One organisational challenge in 2019 was the multi-stage restructuring of roles within human resources management at our global headquarters. This process saw the individual areas of responsibility and HR processes more clearly defined and differentiated from one another. The aim is to strengthen interaction and cooperation with the regions and to create the framework for cross-regional application of best regional practices. In this way, we can pursue a consistent global approach. These adjustments will continue in 2020. – NFR

### Clear responsibilities in all departments

In addition to our senior executives, Corporate HR supports employees sent abroad (expatriates) and is responsible for the application of global policies and guidelines. These are also implemented in the marine division if appropriate and legally possible. Global HR is responsible for remuneration policies and global HR-related change initiatives. This department also lends conceptual support to employee development, both globally and for the German organisation. It includes advice, coaching, training and chairing, as well as international development programmes such as the Talent Development Programme (TDP) and the Agile Leadership Programme at Hapag-Lloyd (ALPHA). Global HR acts as an advisor to the regional HR areas when needed, and manages uniform global performance reviews within the framework of our Global Staff Dialogue (GSD) (see Training and further education, p. 38 et seq.). This area is also responsible for recruiting and training. – NFR

The HR departments of the individual regions are responsible for human resources management at a regional level. They cooperate with Corporate and Global HR, are in direct communication with the HR departments at the local sites and manage the implementation of employee development measures at the local level. – NFR

The HR Germany and Marine HR departments advise company management and managers on HR issues and work with the co-determination bodies. – NFR

Marine HR is in charge of HR matters pertaining to the sea-based organisation, the planning and implementation of training and further education programmes and certifications (see Health and safety, p. 47 et seq.). The department agrees on the key issues and objectives of



HR management together with the Executive Board. This department is subject to the International Safety Management (ISM) code (see Safe ship operations, p. 53 et seq.) and undergoes internal and external audits every year, for example by Hapag-Lloyd's Corporate Audit or global Compliance departments. During the reporting period, the Marine HR department continued to standardise its processes. It is now able to offer standardised training across the regions, for example. – NFR

There were some organisational changes in the Marine HR area in 2019. In Ship Management in Dubai, the organisational structures were improved, task assignment was adjusted, workflows were standardised and responsibilities clearly assigned. The primary aims of these adjustments were to:

- Increase efficiency in the recruitment, deployment planning and support of marine personnel
- Improve communication with internal and external partners
- Improve documentation and reporting
- Enhance identification with Hapag-Lloyd as a company
- Strengthen training and further education

**STAFF STRUCTURE – 102-7, 102-8**

In 2019, around 13,000 people (2018: around 12,800 people) were employed by Hapag-Lloyd. 10% of our employees on land<sup>1</sup> are based in the global headquarters, 16% in North Europe, 9% in South Europe, 12% in North America, 12% in Latin America, 30% in Asia and 11% in the Middle East. The number of employees increased slightly in 2019. This is due to investments and changes associated with setting up Quality Service Centers. The changed allocation of our Global Service Centers in India from the Middle East region to the Asia region explains the year-on-year change in the figures for these two regions.

Of those around 13,000 employees, around 10,800 work on land and around 2,200 at sea. We only employ a very small number of subcontract workers.

When outsourcing Facility Management in the Hamburg headquarters (see Occupational safety, p. 50 et seq.), Hapag-Lloyd worked to ensure that the employees affected could transfer to the external service provider or be transferred internally.

Our employees at sea include permanent employees (Ship Management Hamburg and Dubai) and employees with fixed-term contracts who are hired by employment agencies. There is also a small number of employees on Hapag-Lloyd's own ships who are not covered by these types of employment contracts, such as service engineers or external apprentices who are gaining practical experience on board.

**NUMBER OF TEMPORARY THIRD PARTY WORKERS\* (LAND)**

	2019	
	Hapag-Lloyd Group	Hapag-Lloyd AG
Workers	202	78

\* As at 31.12.2019

**EMPLOYEES**

	2019	
	Hapag-Lloyd Group	Hapag-Lloyd AG
Women	47	45
Men	53	55

\* As at 31.12.2019 – shore-based personnel, excluding apprentices – only Hapag-Lloyd contracts

**BY AGE STRUCTURE\* (IN %) – 405-1**

	Hapag-Lloyd Group	Hapag-Lloyd AG
Younger than 30 years of age	27	19
Between 30 and 50 years of age	56	57
Older than 50 years of age	17	24

\* As at 31.12.2019 – shore-based and marine personnel, excluding apprentices – shore-based personnel only with Hapag-Lloyd contracts

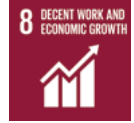
**ON LAND AND AT SEA\* – 102-7**

	Hapag-Lloyd Group	Hapag-Lloyd AG
On land	10,691	
At sea	2,072	
Apprentices	233	
<b>Total</b>	<b>12,996</b>	<b>3,491</b>

\* As at 31.12.2019

1 Only Hapag-Lloyd contracts, excluding apprentices

# Employee recruitment and retention



Hapag-Lloyd contributes towards SDG 8 with its attractive working conditions, such as fair remuneration and measures to reconcile career and family life. Through works councils and other forms of co-determination, employees are involved in key decision-making processes and contribute their own ideas and suggestions.

One of the most important tasks of our human resources management is the recruitment and retention of employees with relevant qualifications. We can only do this if we are seen as an attractive employer. We offer appealing social benefits, measures to reconcile career and family life, and support programmes for young professionals, where local conditions allow.

## EMPLOYEE RECRUITMENT – 401/103, 404/103

In addition to good training, we want to offer young people a long-term perspective with interesting opportunities for personal and professional development, and to motivate them to stay with the company for a long time. For this reason, we approach trainees early, within the framework of vocational training and instruction or a degree programme.

We continue to observe a downward trend in applicants for classic apprenticeships on land in Germany, and find that more young people are choosing to study instead. Competition is particularly intense when it comes to trainees in the area of IT. It is all the more important that we impress them with our company so we can cover our needs. We aim to appeal to this target group with marketing initiatives, primarily via digital channels such as our trainee Instagram account. We also continue to take part in various career orientation events and specifically target young talent at fairs, on career portals and in personal meetings. In addition, we offer annual scholarships to IT students.

In the marine division, the trainees on our ships registered under the German flag generally take up a course of study following their apprenticeships. As a result, there is no decrease in trainee numbers to report. If the number of graduates and/or people returning from studies is low, we may hire external nautical and technical officers in exceptional circumstances. We continue to recruit chief

engineers and captains on ships registered under the German flag only by supporting and promoting our own young professionals. On ships that are not operated under the German flag, we recruit trainees with the relevant qualifications. Prior to graduating from degree programmes, future employees complete a 12-month stint on board the ships to gain practical experience.

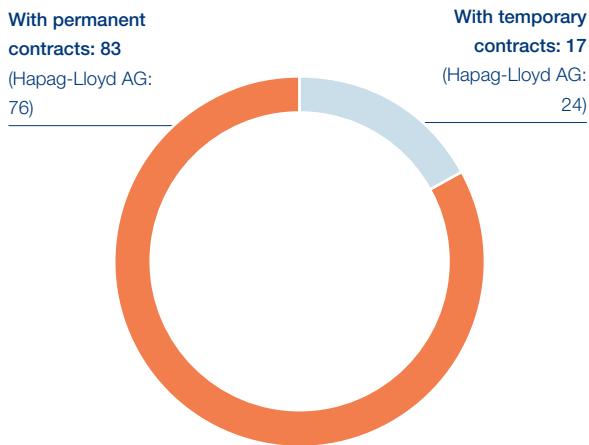
There are many arguments in favour of choosing to work at Hapag-Lloyd, which we communicate intensively. For example, we offer our employees the company's internal social benefits and promote a pleasant work atmosphere and an appropriate work-life balance. Thanks to our international orientation, our employees also have the opportunity to work all over the world. The increasing financial success of our company is also a strong argument in favour of choosing Hapag-Lloyd. With its Strategy 2023, Hapag-Lloyd has developed a credible and long-term strategy for the future that distinguishes our company from the competition (see Employee retention, p. 34 et seq.).

Our goal is to also create an attractive working environment at sea. For example, all newly hired EU sailors on our ships under the German flag receive permanent contracts with long-term career perspectives – not a given in our industry (see Employee retention, p. 34 et seq.).

As part of our efforts to develop new young employees, we work closely with the Hamburg School of Business Administration (HSBA) and the Nordakademie. We offer

four places per year on a combined vocational training and degree programme at the Nordakademie and are represented on the Employers' Advisory Council. At the HSBA, we offer eight places on a combined vocational training and degree programme and are also involved in the company work group, speed networking events and information days. We also support the accreditation/re-accreditation of its courses and international programmes such as the HSBA summer school.

**EMPLOYEES BY CONTRACT TYPE\* (IN %) (2019)**  
 – 102-8



\* As at 31.12.2019 – marine and shore-based personnel, excluding apprentices – shore-based personnel only with Hapag-Lloyd contracts

**EMPLOYEE RETENTION – 401-2, 403-6**

In order to strengthen loyalty to the company, we offer all our employees worldwide attractive benefits in their employment contracts.

**Social benefits**

In addition to competitive remuneration and employee participation in the company's success, our attractive country and region-specific social benefits are an important instrument for employee retention. For example, unlike in Germany, in some countries, statutory health insurance for general healthcare is insufficient for our employees on land. Where possible, we compensate for this with additional voluntary health insurance. Also available are voluntary accident insurance that exceeds statutory protection, and pension and life assurance options.

In Germany, we also provide capital-forming benefits and an extra month's salary. Also a matter of course for us are paid leave in certain situations such as after the birth of a child or the death of a parent, and assistance in emergency situations through the Präsident-Achelis-Elisabeth-Wiegand-Stiftung foundation. Since late 2019, we have offered all of our German employees a public transport allowance.

Employees on ships registered under the German flag receive permanent contracts and are entitled to capital-forming benefits. Senior staff receive an employer contribution towards sick pay. Social benefits on board ships registered under other flags are determined by the relevant ship management company or the agency that hired the seafaring staff.

**Modern working environments**

We want to offer our employees around the world an attractive working environment with modern workplaces. With its modern open-plan concept, the Knowledge Center in Poland follows the standard of the Quality Service Center that opened the previous year in Suzhou (China). Open-plan spaces facilitate personal exchange, while mobile, versatile dividing walls enable a more focused working environment. With various-sized meeting rooms, collaboration zones and glass acoustic booths, we have created spaces for getting together and working alone. The new spatial concept thus fulfils all requirements for agile project work.



### Supporting marine personnel

At Hapag-Lloyd, we promote the retention of our marine personnel through various measures. One-on-one conversations with the captains are an important step in the debriefing process following a voyage. If requested, we carry out these conversations with any other employee as well. We discuss the technical side of the journey, the performance of the employee, and further deployment planning, accounting for social aspects such as the compatibility of career and family life. We look together at existing systems and processes in order to improve the working environment, regarding the increasing administrative burden, for example.

Marine personnel who fall under the Fleet Management department in Germany and Dubai are supported by our crew managers on land. We place particular value on the expertise of the crew managers and their unrestricted contactability for the employees. Many of these crew managers have gone to sea themselves and can therefore contribute a great deal of experience and knowledge.

### Promoting the relationship between shore and sea-based personnel

We promote the relationships between employees on shore and at sea. We do this via a shared starter week for apprentices, for example. Shore-based apprentices also have the option of sailing on a ship for two or three days for training purposes to get a better idea of the workflows. We also regularly give our shore-based personnel the opportunity to visit Hapag-Lloyd ships to gain a better understanding of the work done by their colleagues at sea.

As part of a Board Management meeting this year, Fleet Management employees from the Hamburg headquarters met with nearly 70 captains and senior management at sea to discuss current issues and develop better understanding by gaining insight into each other's work. We also organise annual crew conferences in Manila for the Filipino marine personnel who are hired via agencies. These events are attended by representatives from the Marine HR team. Ship Management in Dubai organises similar events.

We encourage every manager in the company to assess how satisfied employees are in their day-to-day roles and to take suitable action if needed. They are supported by the HR departments, which monitor development measures in various teams. In 2019, this primarily took the form



of overseeing and moderating change processes – generally with external, professional facilitators. Training also took place on the topic of “Staying healthy in times of change”. Team building is an essential topic, particularly on board our ships. Appropriate actions are planned and carried out on a ship-by-ship basis.

#### Work-life balance – 401/103

We are convinced that our employees can only work to the best of their abilities and develop their potential when a balance between work life and home life is achieved and they can reconcile the demands of their work and personal lives. We have established a parent/child office at our headquarters, for example. Outside of Germany, we also offer flexitime, the option to work from home and other working time arrangements if this is legally possible and compatible with work processes.

If we send shore-based personnel abroad, we make every effort to make these postings transparent and fair. During their placement abroad, we provide professional advice and support to our employees. For example, we facilitate “look and see” trips so they can prepare for the placement abroad as effectively as possible. Placements abroad, which generally last between two and five years, are managed throughout the Group via the Global Mobility Policy. We also adhere to defined standards in terms of remuneration, employee benefits and support services (for example, with regard to tax law) and provide adequate safeguards. Family members who will be joining the employee are also taken into account.

Our marine personnel in particular are often separated from their families and social networks as a result of their jobs. Irregular working hours, seven-day working weeks and limited leisure activities are also challenging for them. For this reason, we introduced flexitime and relatively short deployment times on our ships under the German flag. Also, in accordance with the “one for one” regulation of the collective bargaining agreement for the German shipping industry, marine personnel receive one day off on land for each day they serve on board to compensate for the additional burden. Where possible, we also consider personal requests such as holiday planning when drawing up our rosters. In addition, family members of the crew, such as spouses, partners or children, are allowed

to travel on board with them. This option was used by around 15 employees in 2019. With these measures, planning reliability is increased for our company and our employees, thus making career and family life more compatible.

Shore leave, on-board leisure activities and – where possible – internet access at sea increase the range of leisure options during deployment times. To support the crew’s welfare, we also organise events, provide bereavement assistance and ensure health care on board.

Personnel on our ships under the German flag are employed for an average of around eight years<sup>1</sup>, which is above the industry average. This shows that we are adopting the right measures for employee retention.

#### STAFF

2019

#### WORKING HOURS\* (IN %) – 102-8

	Hapag-Lloyd Group	Hapag-Lloyd AG
Full-time employees	96	88
Part-time employees	4	12

\* As at 31.12.2019 – marine and shore-based personnel, excluding apprentices – shore-based personnel only with Hapag-Lloyd contracts

#### ON PARENTAL LEAVE\* – 401-3

	Hapag-Lloyd Group	Hapag-Lloyd AG
Women	258	48
Men	213	52
<b>Total</b>	<b>471</b>	<b>100</b>

\* marine and shore-based personnel

<sup>1</sup> excl. apprentices

**Co-determination – 102-41**

Many employees want to take part in important decision-making processes and suggest their own ideas. This strengthens their loyalty to the company. In accordance with the local legal situation, works councils and similar bodies in Germany and other countries enable employee and employer representatives to communicate in a confidential and constructive manner. All employees can make suggestions on improvements via the company suggestion scheme.

Our management staff throughout Europe work together closely with the national works councils. In Germany, the works council plays a significant role in the implementation of a wide range of topics, such as integration, restructuring, reorganisation or agreements on employee review systems. In other countries (mainly Europe), works councils or similar bodies (Latin America and the west coast of the USA) also usually have co-determination and/or information rights in the event of reorganisations and mergers if they will result in job changes or job losses.

All employees on ships registered under the German flag are also represented by the marine works council. Furthermore, the staff from the entire fleet are represented by the International Transport Workers' Federation (ITF) (see Fair pay and salaries, p. 37).

**Fair pay and salaries – 102-13, 102-41**

Paying our staff a fair wage is a key element in providing an attractive working environment. Under our Global Code of Ethics (see Compliance, p. 23 et seq.), we are committed to complying with all local guidelines on working times, minimum wages and fair pay throughout the Group. – 102-16

We are members of the employers' association Hamburg Shipowners' Association (Verein Hamburger Rheder), which in turn is a member of the collective bargaining community that concludes contracts for employees of the Hamburg Transport Industry. The Community of Employers' Associations has negotiated independent pay agreements with the service workers' union ver.di for our land-based staff in Germany. These agreements cover minimum working conditions and minimum wages, among other things. As per Section 5 (3) of the German Works Constitution Act (BetrVG), senior executives are not covered by these agreements.



A total of around 63% of all personnel (Hapag-Lloyd AG: around 96%) are covered by collective bargaining agreements (as at 31 December 2019).

Our marine personnel are covered by independent pay agreements which we have entered into with ver.di through our membership in the collective bargaining community of the German Shipowners' Association (VDR) and through the International Transport Workers' Federation (ITF). In accordance with the requirements of the ITF, 100% of marine personnel in our entire fleet receive remuneration commensurate with collective agreements. In Germany, the seafarers' collective bargaining agreement also applies to marine personnel on ships registered under the German flag.

We also apply all the regulations of the Maritime Labour Convention (MLC), thus going far beyond the legal minimum requirements. – 102-12

For employees on ships registered under the German flag, we also grant profit-sharing and anniversary bonuses, as well as other bonuses and an extra month's salary, depending on the position.

When calculating and agreeing on remuneration in line with duties, performance and the market in general, it is irrelevant to us whether the employee is male or female. The equal treatment of women and men means that gender cannot, of course, be a factor in determining salaries.

– 405/103

# Training and further education – 404/103



We offer our employees a range of training and further education measures, including as part of our ALPHA and TDP international development measures.

The quality of our services, and thus our business success, is determined to a large degree by the commitment and motivation of our well-trained employees. In order to continue providing the best possible services, we support all employees and trainees with extensive training and further education measures. – NFR

As a company, we are highly committed to learning and further education. We set great store by the continued development of our employees and offer them high-quality education options. – NFR

For several years, the annual employee dialogue processes (Global Staff Dialogue) have formed an important basis for dialogue on areas for development and employee potential. Furthermore, the range of education options is continually being expanded and improved, whether by new development programmes or specific training topics. – NFR

In 2019, we invested a total of EUR 4.9 million<sup>2</sup> globally (Hapag-Lloyd AG: around EUR 2.5 million<sup>2</sup>) in the training of our employees. We also implemented a wide range of additional internal qualification and training measures. – NFR

In terms of training and further education on land, the focus during the reporting year was on launching a new learning management system (LMS). At sea, the focus was on training in LNG (liquefied natural gas). Through training we have prepared the crews for the operation of the container ship “Sajir” with LNG (see Environmental and climate protection, p. 67 et seq.).

## TRAINING

We are also highly committed to training young talent at Hapag-Lloyd, with the aim of keeping them in the company. With highly qualified young employees, we can manage challenging tasks and fill vacancies quickly with suitable candidates. – NFR

### Apprenticeships on land

In Germany, Hapag-Lloyd offers shore-based training of shipping agents, office management clerks, forwarding and logistics clerks, and cooks. There is a particularly pressing need for new apprentice shipping agents. We are also looking for trainees who want to combine vocational training with a degree programme in IT. – NFR

During the three-week starter training course, apprentices receive initial instruction in their field, visit a container depot and ships, and participate in IT training. Apprentices

# 87%

hired shore-based apprentices in Germany<sup>1</sup>

# 37 dual

shore-based students in Germany

<sup>1</sup> The hiring rate for marine apprentices cannot be provided because they switch to a degree programme following their apprenticeship.

<sup>2</sup> incl. travel costs



on land also take part in a two-week course including on team building. English courses and a wide range of internal presentations on specialist topics are also part of Hapag-Lloyd's high-quality training programme. Close mentoring of the apprentices by internal coaches is also very important to us. – NfR

Outside Germany and the German apprenticeship system, onboarding of new employees takes place individually depending on the region, position, and employees' experience.

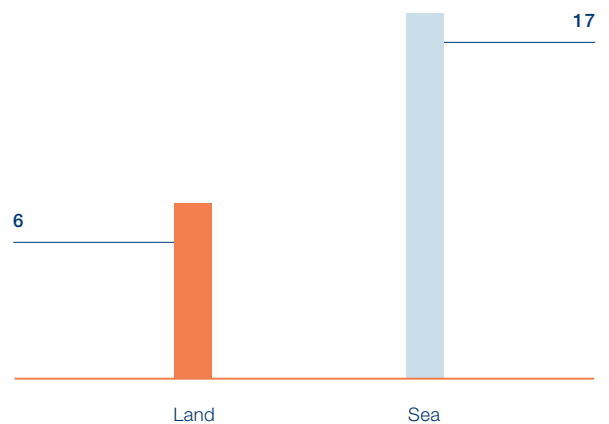
### Apprenticeships at sea

For anyone interested in working at sea, Hapag-Lloyd trains ship mechanics, nautical officer's assistants and technical officer's assistants. There is a particular need for apprentices in electrical engineering, e.g. for electrical engineering and automation technology assistants. – NfR

Our German apprentices at sea undergo a three-week starter training course together with the apprentices on land. This is followed by group training lasting several months in a training centre and on our training ships. The topics of team building and health and safety are key focus areas. Shore leave and leisure activities are also an important component of this time spent together. Various specialist training sessions and courses such as basic safety training or metal-working apprenticeships round off the group training. During the entirety of their training, apprentices are looked after by the Marine HR department. – NfR

Open communication and comprehensive support during the training phase is very important to us. For this reason, Hapag-Lloyd apprentices take part in regular interim feedback meetings and receive help preparing for exams through internal and external courses. – NfR

**PROPORTION OF APPRENTICES<sup>3</sup> IN GERMANY (IN %) (ANNUAL AVERAGE 2019)** – NfR



<sup>3</sup> Proportion of apprentices: proportion of apprentices among permanent employees

## INTERVIEW WITH DEMOSTHENES C. QUINONES

# Repairing instead of replacing: Working sustainably on board



Demosthenes C. Quinones worked for more than 20 years as an electrical engineer on board various Hapag-Lloyd ships. Today, he mainly recruits electrotechnicians and electrical engineers for Jebesen Maritime, the crew-management agency of the Abojeb Company of the Jebsens Group. Hapag-Lloyd has already been working with the Filipino agency for 22 years.

**You worked on board as an electrical engineer for a long time. Today, you recruit engineers and electricians. What makes a good technician?**

Electricians and electrical engineers have a lot of responsibility on board. After all, whether it has to do with the engine controls, nautical devices, refrigerated containers or anchoring equipment, technical problems can pop up anywhere. And, if they do, it can present a major risk to safety.

For example, when I was sailing on the “Kyoto Express” many years ago, the lifeboat didn’t work properly. You could start it, but the battery was weak because it had

been repeatedly started for testing. Using my electronic diagram, I figured out that this caused a fuse to blow, which prevented the engine from starting. We didn’t have the right spare parts on board, but we had to come up with a solution, as we were worried that there might be an inspection at the next port. I managed to temporarily bypass this fuse with what we had on board. When we were in port two days later, we were able to correct the fault with the right spare parts.

For me, that’s what distinguishes a good electrician: having the will to figure out what the defect is and then, if possible, to work with spare parts. As a result, you can keep the device. That saves money – but, most importantly, it’s sustainable.

**How do you determine whether an applicant is suitable for the job?**

I built myself a switching box here that is similar to the one I used to always have with me on board for training purposes. After tinkering with it, I present the applicants with practical problems that they then have to solve.

In the process, I always learn something new myself – but, on the other hand, I like to teach my counterparts something, too. That’s how I always did it on board, and anyone who was interested in learning something was welcome to do so. My last cadet went from being able to solve problems in 10 minutes at first to only needing two minutes. Something like that naturally fills me with pride.

**What was your approach to dealing with problems in your everyday life at work?**



The first thing I did was to take a look at the wiring diagram. For me, this is the starting point for every challenge: It displays the circuitry and how the various wires should be connected to each other. By doing so, I can pinpoint possible sources of the problem.

Once, when I arrived at the port of Kuala Lumpur on board the “Ludwigshafen Express”, I wanted to say hello to the crew of the “Frankfurt Express”, which I had worked on for a long time. There was a periodically recurring alarm on board, and nobody knew how to fix it. So, I had a look at the wiring diagram. It turned out that the only thing wrong was the time setting – a simple solution to a seemingly complex problem that had plagued the team for some time.

**It sounds like you’ve already earned a reputation for being a reliable “fixer”?**

Well, I guess you could say that. Thanks to stable internet connections on board, I still often receive inquiries about technical problems from former colleagues. That makes me very happy – and, of course, I’m glad to help. If everything is working on board, especially the technical equipment, it also has a positive impact on the quality and safeness of the work. And I’m happy to do my part to make this happen.



**Top image:**

Marine personnel receive regular briefings on technical and safety topics.

**Bottom image:**

Older employees pass on their knowledge to younger colleagues in their everyday work.



## FURTHER EDUCATION – 404-1

The demands on our employees in their day-to-day work are growing all the time. With our further education programmes, we want to prepare our employees worldwide for new tasks and challenges. The comprehensive qualification options available are a way of strengthening their ties with Hapag-Lloyd. The range of further education formats available includes Web-based and virtual classroom training as well as on-site events. In 2019, we invested an average of around 21 hours (Hapag-Lloyd AG: around 17 hours) per employee in further education. We review the success of the measures at regular intervals and adjust them as necessary. We also offer local training sessions. – NFR

## Global Staff Dialogue – 404-2, 404-3

All shore-based personnel worldwide engage in a Global Staff Dialogue (GSD) with their supervisors at least once a year; this is a structured discussion of their performance, skill sets and areas for development and potential. This annual discussion took place with nearly 100% of shore-based personnel in 2019 (the remainder were recent hires or cases of illness). During the meeting, participants discuss developments during the year, joint targets for work and development, and suitable further educational measures. These may include training in Microsoft Office,

travel safety and intercultural skills, or tailored development measures to be implemented by the HR department. The aim of the GSD is to gauge employee potential for their future professional development and to identify and implement developmental measures together with the senior executive. – NFR

Past staff dialogues show that the biggest development requirements are in subject-specific topics, languages and soft skills. As a result, in addition to specialist training, more language courses and soft skill development measures have been implemented. – NFR

## Learning management system

In 2019, preparations for the launch of a learning management system (LMS) were largely completed. The unified system will manage and track the measures agreed to in the GSD. The central system will support staff dialogues based on globally consistent standards, while still allowing for them to be held locally. – NFR

The new LMS will be used by senior executives and participating employees over the course of next year to keep an overview of the content discussed. This will increase the transparency of the agreed objectives and will promote dialogue. The system is slated for global roll-out in mid-2020. – NFR



### Talent Development Programme – 404-2

We offer a locally managed, three-year Talent Development Programme (TDP) for employees on land with excellent performance and high potential for development. The TDP provides our employees worldwide with support on both an individual and collective level. They are mentored by instructors from the areas of HR management and development, the supervisor and internal mentors. – NfR

The programme has been a complete success: more than 500 employees have already participated in the TDP. – NfR

### Agile Leadership Programme at Hapag-Lloyd – 404-2

The Agile Leadership Programme at Hapag-Lloyd (ALPHA) was implemented in 2018 as the successor to the Management Career Program (MCP). The international development programme, managed centrally in Hamburg, is tailored to management staff working on land. It lasts three years and focuses on a different topic every year:

1. Self-reflection and resulting skill sets,
2. Leadership skills and
3. Entrepreneurial strategy and actions. – NfR

In 2019, more than 40 people took part in ALPHA; the key topics were agility and innovations. – NfR

### Agile methods

The working environment is increasingly complex and unpredictable. Agile and flexible working methods are increasingly important so that individuals can act quickly and actively. Agile methods are therefore a fixed element of the development programmes for our management staff. The significance of these methods becomes clear in our daily work. For example, an agile project management

method known as “scrum” is already being used by our IT team in the areas of software development and the implementation of processes (see Digitalisation, p. 60 et seq.).

### Further education at sea – 404-2

The crews on board our ships also have access to expert, targeted further education. To this end, we have implemented an expertise management system on ships registered under the German flag. In regular dialogue with their superiors, the management and employee work out their individual development requirements and agree on suitable training measures. This results in an ongoing expansion of our need-oriented training sessions. – NfR

Employees on board our ships receive training on a wide range of topics. In 2019, the focus of further education for employees at sea was on training in LNG (liquefied natural gas). These measures aimed to prepare our crews for the retrofitting of the “Sajir” so that it can be powered by LNG (see Environmental and climate protection, p. 67 et seq.).

– NfR

Further education on board ships registered under the German flag takes several forms: marine personnel, for example, take part in e-learning modules or multi-day courses on legislation, language courses, and training in the Electronic Chart Display and Information System (ECDIS). – NfR

The ongoing training and further education of our employees pays off in particular during critical situations at sea. During a fire on one of Hapag-Lloyd’s ships in 2019, the well-qualified, trained staff on board were able to avoid injuries or even loss of crew and the sinking of the vessel. An important prerequisite for the marine personnel’s fast, correct action was their proper training and their compliance with our high safety standards for operation at sea (see Health and safety, p. 47 et seq.). – NfR

# Open corporate culture

Hapag-Lloyd is a traditional Hamburg company and active around the world. Hanseatic values are just as important to our business success as the cultural and social diversity of our staff. We're convinced that these qualities are what make our corporate culture truly special.

## CORPORATE VALUES

For Hapag-Lloyd, the successful implementation of Strategy 2023 will involve subjecting our own corporate culture to an intensive appraisal. During the second half of 2019, we carried out a global employee survey on this subject as well as a range of workshops with different groups of employees. Based on this, a global roll-out of our corporate values, and their integration into existing HR tools, is planned for 2020.

## DIVERSITY AND EQUAL OPPORTUNITIES

– 405/103, 406/103

Hapag-Lloyd is a global company with employees on all five continents. Our marine and shore-based personnel is correspondingly diverse. Our employees come from various cultures. They bring differing social backgrounds and different ways of thinking, perspectives, and experiences to our company. Hapag-Lloyd sees this as great added value, which we want to maintain and promote over the long term. In our day-to-day communication with our customers and partners, we benefit from the cultural, social and linguistic differences of our employees and achieve better results over the long term thanks to the varying approaches and perspectives. Furthermore, our employees develop a better understanding and greater tolerance of distinctive cultural features and differences. This also benefits them outside the organisation. Global projects enable us to strengthen cooperation between different nationalities

at Hapag-Lloyd – as we implement Strategy 2023, for example. This contributes to our view of ourselves and our motto “We are a truly global community”.

>100  
nationalities

in the workforce

### Equal opportunities for all employees – 102-12

We are expressly committed to the diversity recommendations of the Government Commission for the German Corporate Governance Code (GCGC). We have firmly incorporated the objectives of the Diversity Charter into our corporate culture. Throughout the Group, we foster the talents of all our employees irrespective of gender, nationality, ethnic origin, religion and ideology, disability, age, sexual orientation and identity. We hire new employees solely on the basis of their qualifications, social skills and their readiness and ability to perform the work. This also applies to people with disabilities, who we want to include in our operational workflows and the social environment of our Company in the same way we do any employee. Our hiring processes are governed by country-specific regulations in this respect, such as the German General Act on Equal Treatment (AGG). The

selection of our marine personnel is based on suitability for working at sea, high flexibility and manual skills, for example.

Because we do not fulfil the mandated German employment rate of 5% severely disabled people, we pay the quota compensation levy, which applies to both our marine and shore-based personnel.

#### **Women in management positions – 405-1**

As at 31 December 2019, the percentage of women in management positions on land (levels 2 and 3) was around 11%. Throughout the Group, we raise awareness of diversity among employees and senior executives. To

do this, we hold regular events, such as self-marketing for women and the Women's Business Forum. The Women's Business Forum is one of our most successful formats and has been held since 2015. It enables us to support young female skilled workers and managers through opportunities for further education and networking. They are also able to engage with experienced female managers at the third and fourth management level.

The Hapag-Lloyd Supervisory Board complies with the legally mandated goal of a 30% gender quota (see 2019 Annual Report, p. 28 et seq.). With a total of five women on the Supervisory Board of 16 members, this quota is fulfilled.





**THE HAPAG-LLOYD MANAGEMENT CULTURE**

– 404/103

A positive relationship between senior executives and employees is particularly important to us. Flat hierarchies, efficient decision-making pathways and easy communication between the various management levels are therefore key elements of our corporate management strategy.

In 2019, leadership was a key topic in the development of our organisation. This focus will continue in 2020. We want to develop a unified understanding of leadership throughout the Group.

In 2019, the two-day Global Management Meeting which took place in Hamburg was attended by 150 senior executives (senior management and young managers) from our sites around the world. 22 nationalities were represented. The focus was on the implementation of Strategy 2023 and the progress made so far.

Our top management adheres to an open-door principle throughout the company. Any employee can approach any executive. In addition, we hold the “Breakfast with the Executive Board” in Hamburg, which employees can sign

up for. Events such as the weekly “Lunch with the Management” enable our staff to get to know our second and third-tier management better.

Through ALPHA and TDP, we also ensure regular dialogue and networking between top management and participants.

We promote dialogue between management and employees at sea through various formats such as “Board Management Tables”, open forums and crew conferences.

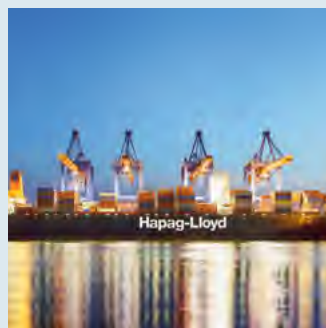
Our feedback culture is based on the principle of open communication. This allows employees to learn from their mistakes. We thus carry out training in which managers learn to provide their employees with regular, prompt feedback. And naturally, we also ask our employees to give feedback to their managers. The annual employee meetings which take place as part of the Global Staff Dialogue offer a formal framework for exchange between management and employees.

In order to strengthen the dialogue beyond the company itself, Hapag-Lloyd has been working with the charity Common Purpose since 2018. One of its aims is to facilitate dialogue beyond the professional arena for management staff in Hamburg working in a variety of fields. With our joint Navigator programme, young managers are offered a wide range of learning and networking opportunities.

# Health and safety

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- Dangerous goods 57



### EXTENSIVE CHECKS ON BOARD

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Port state controls are not simply a matter of checking the paperwork. Inspectors go over the ship from bow to stern with a fine-tooth comb in accordance with binding regulations. The crew's documentation is also checked.

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# Management approach

– 403/103

Our employees have a wide range of tasks and are correspondingly also exposed to dangers and risks in their day-to-day work. In view of this, maintaining their health and safety is our highest priority. We implement high standards of health and safety which we continue to develop. One means by which we confirm the effectiveness of these standards is through external audits of the health and safety management system. – NfR – 403-1

Health and safety topics for the shore-based and marine personnel in the Group, as well as in the individual regions, are primarily anchored in the HR department. Our management is also responsible for ensuring compliance with the relevant regulations and for implementing internal guidelines. – NfR – 403-4

## OCCUPATIONAL HEALTH AND SAFETY ON LAND AND AT SEA

### Occupational health and safety on land

In Germany, a Health and Safety Committee ensures the health and safety of our shore-based personnel. The committee comprises the company management, the health and safety officer, the company doctor, representatives of the Works Council and the safety officers. At regular meetings, the committee discusses occupational health and safety issues, agrees on areas of action and takes decisions on measures to be implemented. Necessary measures for the protection of the health and safety of our shore-based personnel are also taken in other countries.

– NfR – 403-4

As at 1 September 2019, Facility Management of our Hamburg headquarters and the other assets in Germany was outsourced to the external service provider RGM Facility Management GmbH. Fire protection and health and safety officer functions have also been assumed by a service provider since then. These officers are available as

contacts at our company headquarters. Under the direction of the health and safety officer, who is also the internal auditor for health and safety management systems according to DIN ISO 45001, the current health and safety situation was determined during the reporting period and targets were set. Processes are now being established for all health and safety-related topics that will collate the existing individual solutions in one overall concept. The long-term aim is to set up a certified health and safety management system. – NfR – 403/103, 403-7

In principle, our health and safety regulations also apply to external employees and service providers. Responsibility for compliance with these regulations lies with the relevant external service providers. When working at a Hapag-Lloyd AG site, external employees are familiarised with our health and safety requirements via an internal form, “Guidelines for external companies and individuals on Hapag-Lloyd AG property”. This form is signed by the external employee and kept by us. – NfR

### Occupational health and safety at sea

– 403-1, 403-2, 403-8

The safety of our employees at sea – and of ship operations as a whole (see Safe ship operations, p. 53 et seq.) – is the responsibility of the shore-based Ship Management organisations. Occupational health and safety standards are firmly integrated in the operational workflows on the ships in our fleet by means of safety management systems (SMS) which cover all health and safety processes and

measures. Each SMS on board our ships is verified and certified by international requirements. Using risk assessments and review reports, risks are documented and the effectiveness of actions is recorded. – NfR

The need for action on health and safety is identified both preventively and correctively through structured review processes. The results are used to derive appropriate protective measures. – NfR

### **RISK ASSESSMENT FOR PSYCHOLOGICAL STRESS – 403-2**

In 2018, we initiated the Risk Assessment for Mental Stress (RAMS) to evaluate psychological health. It was introduced in 2019 on ships registered under the German flag. RAMS is a scientifically validated stress analysis based on the EU directive on safety and health at work and the German Occupational Health and Safety Act. Both pieces of legislation go above and beyond international standards. The process also takes into account findings and models from occupational psychology; its degree of detail makes Hapag-Lloyd's ship management unique in the industry. – NfR

The risk assessment includes a survey, evaluation and objectives, as well as the implementation, evaluation and documentation of measures. It records both external stress factors for the employees and their perceived stress levels. – NfR

During 2018, more than 600 employees from various areas and ranks on 38 ships were surveyed at random. – NfR

We were able to identify risk factors such as highly repetitive tasks in the analysis. With the help of a professor of occupational psychology as well as seafaring staff, we then derived objectives that include alternative working methods and topics of leadership and cooperation on board. The measures are to be implemented starting in 2020. Ships registered under other flags fulfil the IMO and MLC standards under international law; a wider roll-out of RAMS measures may take place in future in the form of specifications in the Owner's Manual. – NfR



### **CERTIFIED HEALTH AND SAFETY MANAGEMENT SYSTEM ON BOARD**

– 403-1, 403-3, 403-4, 403-7, 403-8

Generally speaking, health and safety on board all ships is safeguarded by the requirements of the ISM (International Safety Management) code. – NfR

The health and safety management system is an integral part of the SMS and ensures a safe working environment on board all our ships. The flag state authorities regularly audit compliance with internationally recognised ISM standards. – NfR

The success of the system and its acceptance among employees on board are significantly influenced by their active participation in regular review processes. The systems continue to be developed based on employee feedback. – NfR

# Occupational health and safety – 403/103

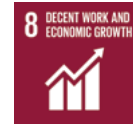
The field of work and location of our employees determine which measures we adopt to ensure their health and safety. These measures are both preventive and corrective. The aim is always to maintain the long-term ability of our employees to work. – NfR

## OCCUPATIONAL SAFETY – 403-3, 403-5

There is only a low risk of injury or illness for the majority of our employees who work in offices at our sites. The risk is much higher for occupations in kitchens, warehouses or ports, as well as for people on business trips. For this reason, we provide specific instruction, for example, travel safety training in which we inform people about particular safety risks in the destination country. Since 2017, our employees worldwide have also been able to call a central emergency number. – NfR

## Ongoing improvements to fire protection

We have significantly improved the fire protection of our headquarters in Hamburg by modernising the building control system, which enables us to detect and eliminate potential risks more quickly. We are currently revising and updating our existing fire protection concept. One particular focus in the initial phase is on the review of our internal alarm system and processes. Since September 2019, the officers for fire protection and health and safety have been provided by an external service provider, which now trains employees in these topics (see Management approach, p. 48 et seq.). Every year,



We contribute towards ensuring humane working conditions under SDG 8 through our health and safety measures and activities for shore-based and especially marine personnel.





around 50 employees are trained as fire protection assistants, and as many again as first-aiders (including early defibrillation). – NfR

The emergency plan for department representatives is being revised to guarantee smooth operation in case of need. Regular drills reinforce the processes for all those involved. – NfR

**Workplace accidents in 2019**

We aim to continue improving workplace safety in the company and preventing accidents. This involves recording and investigating safety-related incidents throughout the Group and taking appropriate action to minimise workplace risks. In 2019, we recorded 0.57 accidents per ship on all of our own ships (Hapag-Lloyd AG: 0.73 accidents per ship)<sup>1</sup>. – NfR

<sup>1</sup> The difference in the amount of workplace accidents between the Group and Hapag-Lloyd AG is attributable to the differing legally mandated calculation bases. In accordance with Section 8 SGB VII, all "accidents involving insured parties resulting from [...] an insured activity" on board ships registered under the German flag are considered workplace accidents. On non-German ships, workplace accidents are reduced to the causation in relation to the activity that resulted in the accident.

Around 3.3 workplace accidents per 1,000 employees (Hapag-Lloyd AG: 0) were recorded for our shore-based personnel. – NfR

In 2019, there were two fatal workplace accidents on our ships. These accidents were reported to the relevant flag state authorities and will be investigated immediately so we can identify possible causes and rule them out in future. – NfR

**WORKPLACE ACCIDENTS (SEA)\* – NfR**

**0.57** accidents per ship (Hapag-Lloyd AG: 0.73)

For marine personnel, reportable accidents are classed as those resulting in at least three days' absence. – 403-9

\* Excluding commuting accidents

**WORKPLACE ACCIDENTS (LAND)\* – NfR**

**3.3** per 1,000 employees (Hapag-Lloyd AG: 0)

For shore-based personnel, reportable accidents are classed as those requiring at least one day's absence. – 403-9

\* Excluding commuting accidents



## HEALTH PROTECTION – 403-6

The greatest health risks for our shore-based personnel include lack of movement, postural damage, vision disorders and psychological stress. A wide range of regular measures to promote health and prevent illness enables us to actively counter these risks. For historical reasons, Hapag-Lloyd in Germany cooperates with pronova BKK, on whose Administrative Board we are represented, in terms of company health care. In this way, we can help shape the work and orientation of the health insurer, working with it to establish measures to promote health and medical check-ups for our employees in Germany.

At least once a year, we organise free exercise initiatives for all our employees in Germany, as well as other preventive measures. In Hamburg, these measures are supplemented by a wide range of fee-based sports offered through our company sports club, and the option to make fee-based massage appointments.

### Prevention on land

One central element of our health management on land is our health awareness day in Hamburg, which we have held regularly since 2017 with pronova BKK and other partners. At this event, we inform employees about workplace design, ergonomics and preventive measures, among other things. The key topics for 2019 were ergonomics and eye health. Employees were able to obtain advice on ergonomic workplaces, for example. We also inform employees about topics such as occupational safety via online tutorials.

In 2018, we launched the “Health after work” programme in Hamburg – a range of free health talks which take place outside working hours. The format was continued this year, focusing this time on the topic of breathing. For the first time, there was a talk in English in order to reach our colleagues with little knowledge of German. “Health after work” was also launched at our Frankfurt site in 2019. We carry out similar preventive measures in the other regions.

In Hamburg, additional health services are available through our company doctor, such as first aid for acute symptoms and risk factor assessment by means of blood testing. Services also encompass individual counselling on topics of health and nutrition – including information on psychological health and addictions – as well as free

vaccinations. We evaluate psychological stress in the workplace and take appropriate action where necessary. Since our global sites frequently do not have staff suited to provide these services, we offer our employees the opportunity to obtain medical advice from Germany.

Employees in Hamburg have the opportunity to consult the health and safety officer or company doctor in person at their workplace regarding all topics pertaining to occupational health and safety. Occupational health care is regularly provided and carried out in line with the Ordinance on Occupational Health Care (Verordnung zur arbeitsmedizinischen Vorsorge, ArbMedVV).

We continually adapt all health care measures to the needs and distinctive features of our regions, for example, through regular participant questionnaires. For instance, in Austria and other countries, we are required by law to evaluate psychological stress in the workplace. – 403-6

Our range of health care options is continually being expanded. In the future, we plan to standardise occupational health and safety as well as health promotion across all sites in Germany.

### Health management at sea

The medical care of our marine personnel is a particular challenge for our health management team and requires specific measures.

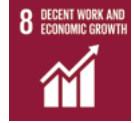
A basic prerequisite for deployment on ships is that the employee be certified as fit to work at sea in accordance with the requirements of the Maritime Labour Convention (MLC). Fitness to work at sea is confirmed by certificates and is monitored continually. – NFR

If necessary, medical emergencies can be supported by land-based medical centres.

# Safe ship operations

– 403-8, 403-4

Safe fleet operation is a priority at Hapag-Lloyd. It guarantees the safety of our employees and cargo, as well as the protection of the environment from risks arising from shipping. – NfR



The safety management system (SMS) plays a key role in ensuring safety at sea and covers all occupational safety processes and measures on board our ships.

## THE SAFETY MANAGEMENT SYSTEM

The safety management system (SMS) addresses the following principal goals:

- Safe operational processes on board
- Occupational health and safety
- Prevention of environmental damage that results from operating the ship
- Prevention of damage to the ship, cargo and property – NfR

Under all circumstances, all ship managers follow the three fundamental principles of “saving and protecting human lives”, “safeguarding the environment and property” and “preserving our reputation”. – NfR

All Hapag-Lloyd managers and marine personnel accept our Group-wide principles on safety and environmental protection. For us, this is a major prerequisite for efficient implementation of the SMS. Clear processes ensure that our employees are familiar with the objectives of the SMS and its principles, and that they always apply additional standards and guidelines within their area of responsibility. These processes are regulated and verified via the Safety Management Manual, circulars and inspections, as well as through the Owner’s Manual, Owner’s Circulars and Owner’s Inspections. – NfR

Additional inspections to verify compliance with the SMS on board include internal and external audits, flag state

inspections, inspections by classification societies and port state controls (PSCs). This wide range of parties and authorities ensures that all guidelines are “lived” and carried out. – NfR – 403-5

## TRAINING ON RISKS IN SHIP OPERATIONS

Our employees are subject to specific health and safety risks associated with ship operations. These include risks posed by large, heavy moving equipment, stress caused by noise and by travel through different time zones and climates, the motion of the ship, and bad weather. There is also a risk of accidents associated with working with ropes and in shifts. – NfR – 403-9

The marine personnel on our ships are trained regularly in health and safety topics specifically relating to the size of the vessel and equipment used. Each member of the crew is instructed in the safety features and procedures when they start work. During sea deployments, there are training sessions at least once a month on behaviour in the event of a fire or evacuation. There is also training at least once a year on various ship accident situations (such as collisions or running aground). Regular training is also carried out on land. For example, basic safety training takes place every five years over the course of several days and instructs staff in managing risks and hazards on board. This covers survival at sea, fire extinguishing, first aid and occupational safety training with a focus on PPE, access to separate areas, accident prevention and health protection. – NfR – 403-5

The SMS is reviewed and improved regularly to take account of changes in the law, incidents and near accidents, and feedback from our ships. For the management review, employees on board regularly note down relevant points and notify their management on land. The findings are used to help optimise ship operations. Decisions are then communicated to the ships affected, with the instruction to implement appropriate measures. Their implementation is then monitored once again. – NfR – 403-2

#### AUDITS – 403-8

We conduct internal and external audits in order to ensure that all statutory and internal requirements regarding occupational health and safety are met. Internal audits take place on board our ships every year and monitor compliance with the ISM and ISPS code<sup>2</sup> as well as ISO and MLC<sup>3</sup> requirements. They also determine whether deficiencies or areas for improvement exist. External ISM, ISPS and MLC audits are carried out on each one of our

- 2 ISM = International Safety Management
- ISPS = International Ship and Port Facility Security
- 3 MLC = Maritime Labour Convention



ships every two and a half years. ISO 9001 and 14001 audits are carried out regularly on a set number of ships.

– NfR

In addition to all ships, the flag states or the classification societies commissioned by them also verify and certify the land-based ship management organisations every year. As in previous years, all ship management organisations were awarded the Document of Compliance (DOC) with no reservations. Almost all management organizations of our ships are also certified according to ISO 9001:2015 and 14001:2015 standards. – NfR – 403-2, 403-7

If any deviations are found, they are documented in the audit reports. Corrective measures must be carried out within a clearly defined time period and are then evaluated. – NfR – 403-2, 403-7

During the reporting period, all management-relevant ship certificates, the Safety Management Certificates (SMCs) and International Ship Security Certificates (ISSCs), which confirm compliance with the ISM and ISPS codes, were issued in accordance with expectations. – NfR – 403-2, 403-7

In all, more than 100 internal and 50 external audits were carried out in 2019. – NfR – 403-2, 403-7

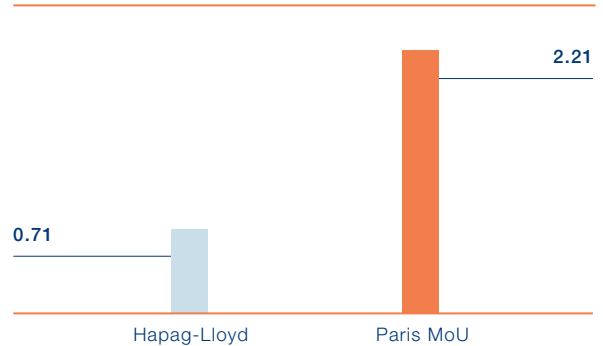
## PORT STATE CONTROL

Within port state controls (PSCs), port states are permitted to establish whether all ships are in compliance with the applicable international agreements on occupational health and safety regulations which the port state has ratified. The check examines the ships' condition and equipment and checks that they are being operated properly. – NfR

Countries in nine regions around the world so far have signed memoranda of understanding (MoU) regarding port state controls. They also conduct concentrated inspection campaigns for certain key issues. In 2019, one such MoU campaign in Paris, Tokyo, the Black Sea, the Indian Ocean, the Mediterranean, Riyadh and Viña del Mar dealt with emergency systems and procedures. – NfR

In 2019, 240 PSCs were carried out on board our ships and an average of 0.71 deficiencies were found. The comparison with the average global deficiency rates (e.g. Paris MoU 2.21 (2019) and Tokyo MoU 2.32 (2018)) and our deficiency rates in recent years are evidence of the success of our SMS. – NfR

### AVERAGE DEFICIENCY RATE\* (2019) – NfR



\* Deficiency rate = deficiencies/PSCs

## ACCOLADE FROM US COAST GUARD

As a result of the exceptional results of the PSCs carried out by the United States Coast Guard (USCG), ships under our German Fleet Management were included in the Qualship 21 programme in 2018. Fewer than one in ten ships operating in US waters under foreign flags manage to fulfil the high quality and safety requirements to make the cut. The accolade also means that the regular USCG checks on board must now take place only once every three years rather than every year, as was previously the case.

**CRISIS MANAGEMENT – 403-2**

In the event of a crisis, our Emergency Response Manual serves as a guide to avoiding or minimising harm to people, our ships and the company. We have established the following priorities in the manual: – NfR

1. Save lives
2. Save the ship
3. Protect the environment
4. Prevent damage to the Company – NfR

With representatives from all relevant Hapag-Lloyd departments and external institutions, we have a team of experts on hand to coordinate and provide assistance in the event of an incident. The team is contactable around the clock for our fleet and to support charter ships. Clear responsibilities and reporting channels ensure that, in crisis situations, the Executive Board can also be informed as quickly as possible. – NfR

In early 2019, a fire broke out on board our ship “Yantian Express” on its voyage from Colombo (Sri Lanka) to Halifax (Canada). The well-trained crew was able to extinguish the fire. All crew members were unharmed. The ship and the majority of its cargo were saved. The basis for this exceptional outcome was the crew’s high standard of training and further education (see Training and further education, p. 38 et seq.). – NfR

**PIRACY AND TERRORISM – 403-2**

Incidents falling under the category of piracy and terrorism cannot be predicted. We comply with the guidelines on risk avoidance, such as the Best Management Practices to Deter Piracy and Enhance Maritime Security in the Red Sea, Gulf of Aden, Indian Ocean and Arabian Sea (BMP5). The individual flag states are not in agreement on the risk potential of the various regions and how to respond to them. For us, this means that we have to gauge each situation individually. Based on various independent sources of information available to us, we make every effort to obtain the most comprehensive overview possible of potential risks in the waters we navigate. At the same time, we carry out individual and route-specific risk assessments for our ships. We receive our information from national sources such as the maritime safety report from the Federal Criminal Police Office and the annual report from the German Navy Command, as well as from international institutions like the ICC International Maritime Bureau and Flag State Advisories. We review and update the risk assessments when necessary, but at least annually. This enables us to react quickly to changes in the situation.

During the reporting period for instance, we have been closely following developments in the Strait of Hormuz, which have been shaped by growing tensions due to various national interests.



# Dangerous goods

– 306/103, 403-7

We transport a wide variety of goods worldwide. Some of these must legally be declared as dangerous goods. We implement special measures to ensure safe transport – for our employees, the ship, the environment and the cargo. This includes strict compliance with all laws and internal requirements by our shore-based and marine personnel. – NfR

We do not transport any dangerous goods unless they meet all international, national and local laws and guidelines in full. This is our most important principle for the transportation of any kind of dangerous goods. We are guided by the IMDG code<sup>4</sup>, 49 CFR (US guidelines), the German Ordinance on the Transport of Dangerous Goods by Sea (GGVSee) and the German Dangerous Goods Officer Ordinance (GbV). Apart from these, there is a range of additional laws and regulations which apply to specific modes of transport and which we adhere to. – NfR

Various aspects of a particular good are used to identify the potential danger that it exhibits. These include its physical and chemical properties, reactivity and stability, and toxicological and environmental information. Following classification, all dangerous goods must be identified using the dangerous goods class and global UN number. The combination of dangerous goods class and UN number determine which specific requirements must be in place when transporting the goods. – NfR

Overall, the transportation of dangerous goods accounts for around 4% of Hapag-Lloyd's total transport volume. During the reporting year, Hapag-Lloyd transported more than 500,000 TEU of dangerous goods. – NfR

## REGULATIONS AND PROCESSES

The transportation of dangerous goods is highly complex and requires careful planning by experts. For this reason, following an extensive risk analysis, we have developed

guidelines in line with the "Rules of Good Seamanship" that exceed statutory requirements. For example, in order to protect the staff and cargo, no dangerous goods may be stored in front of or behind the crew quarters on board. This also applies to the outsides of the ship in order to protect the cargo from breaking waves, pirate attacks or in the event of collisions. – NfR

All regulations and work processes relating to dangerous goods are detailed in our Hapag-Lloyd Dangerous Goods Manual. This manual is used by our dangerous goods experts as well as by all relevant parties, such as ship planners and Port Terminal Operations. The exclusion list in the manual lists all goods we refuse to transport following a risk assessment, though it would be legally permissible to do so. If there are any changes in the risk assessment, the manual and/or the exclusion list are revised and all relevant offices are informed immediately in writing or in person. – NfR

Our dangerous goods experts in the regions ensure that dangerous goods are handled properly and in compliance with the law, both in the ports and on the ships. They also report regularly to the central Hapag-Lloyd dangerous goods officer. Cargo not declared as dangerous goods is checked by our Cargo Patrol software. This software, which was developed especially for our needs, has already received several international awards. Systematic searches for non-declared dangerous goods based on keywords enabled us to identify around 3,900 bookings during the reporting period. We then refused to transport the goods. – NfR – 403-2

4 IMDG Code = International Maritime Dangerous Goods Code

**DANGEROUS GOODS TRAINING – 403-5**

Through legally mandated training in dangerous goods, we inform our employees on board and in our offices worldwide about the special requirements for the transport of dangerous goods. We also describe the risks and help employees in the best possible way to recognise irregularities and causes for concern. As a result, all employees who deal with dangerous goods, such as captains and cargo officers, are regularly trained by the Hapag-Lloyd dangerous goods officer, in compliance with legal requirements under the IMDG code, the German Ordinance on the Transport of Dangerous Goods by Sea (GGVSee), and 49 CFR. – NfR

Around 350 employees worldwide were trained in dangerous goods in on-site training sessions in 2019. Additionally we provided mandatory Web-based training, which all relevant employees must complete. – NfR

We recorded two incidents pertaining to dangerous goods during the reporting year, each on a charter ship. In both cases, there was a fire in a container transporting dangerous goods. Both times, the crew managed to extinguish the fires on board and enter a port in order to discharge the container in question. Neither of the fires spread to adjacent containers. As a consequence, in future we will go above and beyond legal requirements to make sure that containers with dangerous goods are positioned so that they are not exposed to direct sunlight. – NfR

**INITIATIVES AND MEMBERSHIPS – 102-13**

Hapag-Lloyd is a founding member and an active Executive Board member of the Cargo Incident Notification System (CINS). CINS is a non-profit initiative of carriers, insurers and experts who came together in 2011 and decided to record and evaluate cargo or container accidents in a single database. Its aim is to identify negative developments and those requiring critical action at an early stage, and to improve operational safety at all levels of transport. To this end, a transparent exchange of experience and best practices has been initiated. This also facilitates the handling of challenges resulting from leakages and incorrect declarations. CINS wants to overcome these problems by issuing concrete guidelines. We use our Cargo Patrol findings to inform our competitors about cargoes with false declarations. CINS is also working towards achieving IMO advisory status in order to play a role in the negotiation of future provisions. – NfR

We continue to be an active member of the Association of German Shipowners (Verband Deutscher Reeder) and chair its Hazardous Goods committee. – NfR



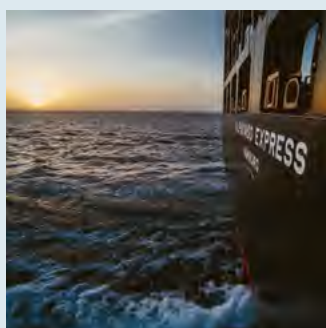


# Digitalisation and digital security

## Content of the chapter

Digitalisation 60

Data protection and digital security 64



### MANAGING TRANSPORTS COMPREHENSIVELY

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With our Voyage Control project, we want to carry out orders even more reliably and efficiently by identifying potential problems as early as possible and working out options to resolve them. The aim is to further boost the quality of our services.

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# Digitalisation

Strategy 2023 sets clear goals for our business success. One method of reaching these goals is to focus on digitalising our work. By using digital solutions, we can automate processes, continue to improve the quality of our services and increase customer satisfaction through more efficient interfaces.

## DIGITAL TRANSFORMATION SUPPORTS STRATEGY 2023

Digitalisation is a key element of Strategy 2023 and is reflected in our strategy goals. We are convinced that, by improving existing systems and processes and developing digital services and business models, we can offer our customers the best possible quality and increase their long-term satisfaction. For this reason, we have made quality and customer focus goals of Strategy 2023. Based on evaluation of customer feedback using digital solutions, we can draw conclusions about customer satisfaction and the quality of our services, and take appropriate action.

– NFR

The Digital Business & Transformation (DB&T) department, formerly the Digital Channel and Incubation Unit (DCIU), provides Group-wide support for the realisation of the digital transformation and the implementation of Hapag-Lloyd's digital business. The approximately 20 employees involved work closely with experts worldwide and keep our staff up-to-date on digital topics. They provide support by collecting and evaluating customer and usage data, as well as with product development and sales and marketing optimisation.

## IMPROVING CUSTOMER SATISFACTION AND EFFICIENCY

In 2019, we added new features to our Quick Quotes online tool for freight rate enquiries and bookings. For example, we were able to simplify the booking process based on customer usage data. The order volume via Quick Quotes rose from around 6% in its first year to around 10% in the reporting period.

During the reporting period, we also worked with our customers to advance a pilot project involving the live tracking of containers, which will be available from spring 2020. We also continued developing products such as cargo insurance and navigation in the customer area of our website.

## INFORMING AND TRAINING EMPLOYEES

We want to make even better use of the opportunities presented by digitalisation and are renewing our efforts to raise awareness of digital topics among our employees. One of the ways we do this is through the Digital Hub, a Web-based internal platform that provides information about digitalisation and promotes dialogue among employees on relevant topics. It also enables our employees to actively take part in the development of digital solutions in the company. The hub is becoming increasingly recognised, and we saw a growing number of hits and more interaction in 2019.

We now generally involve employees and customers more closely in the product development process since they can test products, for example. We hold deep-dive sessions with our employees on digital products and processes and train them on digital topics as part of staff development. In 2018 for example, ten employees were trained in agile project management and on topics such as performance marketing, digital sales and digital data evaluation. In 2019, these employees passed on their knowledge to 100 more employees according to the "train the trainer" principle. We will continue this approach in 2020.

## INNOVATIVE DATA MANAGEMENT

In future, we want to conduct big data analyses, i.e. use large amounts of data to quickly draw conclusions and use the findings. With the data lake project, we are currently setting up a central database, thus creating the technical and structural requirements for simplified evaluation and the provision of information for customers and employees. The first pilot projects based on the data lake were set up in 2019.

We also work together with external partners on blockchain solutions, i.e. on the decentralised, transparent logging of processes. In July, for example, we joined the blockchain-based platform TradeLens, whose members are responsible for more than half of all sea containers transported worldwide. TradeLens's aim is to improve cooperation within the supply chain by strengthening networks. It facilitates transparent documentation of transactions and data availability in real time for all of its members. Smaller machine learning initiatives were also established.

## DIGITAL SOLUTIONS IN SHIP OPERATIONS

We created the Fleet Support Center (FSC) department for digital solutions in ship operations in 2013. The FSC works continually towards improving the quality of available data. This is the case with cargo stowage planning, i.e. the strategic planning of ship loading, as well as speed and trim management at sea. – NFR

A software solution continually records fuel-related data, such as quality, bunker supplies, daily consumption, time of fuel conversion on journeys in protected areas and event-related information, such as arrival, departure, waiting times at sea and bunker processes. The use of this tool enables us to guarantee standardised reporting for the entire fleet. – NFR

Digital route monitoring allows us to plan our routes optimally and to reduce our energy consumption and environmental impact. The various measures we are undertaking in this context play a major role in Strategy 2023. For example, we minimise the disturbance of marine mammals in protected areas with specific speed profiles, and reduce fuel consumption by monitoring fouling digitally (see Partnerships for protection of the marine environment, p. 78 and Efficient use of energy, p. 69 et seq.). – NFR

We increase planning reliability for us and our customers through Voyage Control, a central unit that manages decisions affecting scheduling. Customer satisfaction will be increased significantly since there will be fewer short-term and unexpected changes. For Hapag-Lloyd, this process will also lead to more efficient processes, cost savings and a reduction in energy consumption. – NFR

In 2019, we also launched a tool for early identification of berth occupancy conflicts, which enables ships in the entire fleet and even our partners to react proactively to occupied berths – for instance, by reducing their speed. – NFR

Developments towards digitalisation of the industry will continue to occupy us in the future. As an organisation, Hapag-Lloyd will work in a more agile and automated way and will increasingly offer the customer digital solutions.

## INTERVIEW WITH JAN BOVERMANN

# Digitally successful: with innovative ideas for the benefit of the customers



© HHLA

Jan Bovermann, Head of Corporate Development at Hamburger Hafen und Logistik AG, is responsible for the company's digital transformation. The essence of this is the development and implementation of the digitalisation strategy in close accord with the corporate strategy.

### How do you yourself define digitalisation? Does HHLA have overall objectives?

I see digital transformation as an opportunity to adapt business processes, business areas and business practices in such a way that the company is able to compete successfully in an increasingly digitalised environment. The aims are clear: customer-oriented continued development of the company, optimisation of operational and administrative business processes, and development of employees so they can master future challenges.

### What challenges are there with regard to digitalisation in the shipping industry? What are the factors for success in these projects?

Employee acceptance and openness towards innovative technical ideas is the basis for approaching almost all digital challenges. The integration of employees in digitalisation projects is a major factor for success. Furthermore, it is important to have a good ecosystem, a network of "like-minded companies" that have a similarly open attitude towards networking and end-to-end customer focus. This results in motivation to innovate and willingness to implement changes.

### Which project are you working on at the moment, and where might there be overlaps with the future activities of Hapag-Lloyd?

We are working on a whole series of projects in all areas which we believe will make HHLA even more competitive in the future. This includes projects to optimise our operational processes by means of artificial intelligence, customer loyalty programmes – which are measures that generate added value for customers – and finally, projects which will open up new sectors for HHLA. Since Hapag-Lloyd is a major client and partner for HHLA, and we are both part of complex supply chains in the sense of our end-to-end customer approach, this of course results in shared opportunities, and thus overlaps.

### To what extent can digitalisation help reduce environmental impacts and increase customer satisfaction?

The customer-oriented approach anchors our digitalisation strategy. This means that customer satisfaction is always the focus of new digitalisation projects. At the same time, digitalisation is also a highly effective means of making a supply chain more environmentally friendly or even climate neutral. For example, the use of innovative technologies may make it possible to reduce CO<sub>2</sub> emissions within the transport chain. One example: HHLA already uses artificial intelligence to optimise container movements in our container block storage areas. If we can reduce crane movements through better planning, this reduces energy consumption, which in turn has a positive effect on the environment.

#### Top image:

Container movements are reduced using artificial intelligence.

#### Bottom image:

Digital technologies make port logistics even more efficient and easier to plan.



# Data protection and digital security

The protection of personal and commercial data will become ever more important with the increased use of digital solutions. Not only do strict laws and digital threats have an influence on our work; customers and employees also increasingly expect reliable data management with a high level of protection. As a result, we make a particular effort to protect our IT systems on land and at sea as effectively as possible. – NfR – 418/103

## STANDARDS FOR THE PROTECTION OF DATA AND IT SYSTEMS

Due to our high technical and process-related standards, we guarantee the security of IT and the often sensitive data entrusted to us. These standards enable us to comply with the relevant laws and meet our customers' specific requirements, such as those placed on us by the Compliance and Legal departments of major customers as a result of the introduction of the EU General Data Protection Regulation (EU-GDPR). – NfR

In general, Hapag-Lloyd has observed a global tendency to introduce or tighten data protection regulations. Many states base their policies on the EU's GDPR, such as the state of California on introducing the California Consumer Privacy Act (CCPA) on 1 January 2020. Because Hapag-Lloyd complies with the high requirements of GDPR as a minimum standard throughout the Group, in many cases we already comply with the new legal requirements. We also take the relevant standards into account at new sites. In Asia, we are also observing a trend towards stricter control of personal data and key business-related data. – NfR

New IT threats also continuously confront our work; we must protect ourselves and our customers against them. In doing so, we rely on the ongoing training of our employees and the monitoring of our technical

systems. This allows us to generally remedy identified security flaws during normal operations. – NfR

As a result of our high transport volume, Hapag-Lloyd is also subject to the requirements following from the European regulatory framework for the protection of critical infrastructures. – NfR

One major step in 2019 was the establishment of an ISO 27001-compliant information security management system for our systems on land. We received the relevant external certification for this. As part of the certification process, a vulnerability scan service was set up in core systems for the identification and elimination of vulnerabilities in networks. The goal is to identify potential vulnerabilities so that appropriate action can be taken. Furthermore, a cybersecurity incident response plan was developed and will be reviewed regularly. – NfR

## ORGANISATIONAL INTEGRATION OF IT SECURITY AND DATA PROTECTION

At Hapag-Lloyd, responsibility for data protection and data security lies with the individual business units worldwide. The Corporate Data Protection Office (CDPO) advises the central departments, regions and areas about compliance with data privacy legislation. To this end, each region and area has its own data protection officer



or coordinator who implements all legal requirements, coordinates measures with the CDPO if necessary, and acts as a contact person. – NfR

An IT security team monitors and improves our central IT systems on land, and deals with security issues. By engaging in discussions with external security experts, the team is always up-to-date on the latest risks and developments. – NfR

For our own ships, IT security at sea is coordinated by the central Maritime IT Security department and implemented by regional Fleet Management. The safeguarding of IT security on charter ships is contractually regulated with the relevant service providers.

### **SECURITY OF THE FLEET'S IT-BASED OPERATIONAL SYSTEMS**

The security of IT systems on ships is gaining significance due to the digitalisation of our processes. The European Commission's Network and Information Security directive (NIS Directive), which came into force in 2019, subjects us to higher requirements regarding the regulation of critical infrastructures. We are particularly required to take action in terms of reporting and collaboration with public entities on IT security. – NfR

External requirements for IT security on ships include changes to the International Safety Management (ISM) Code, which is valid as of 2021, and a cybersecurity clause to be added to the classification programme of the

International Association of Classification Societies, which will establish minimum technical standards in the shipping industry. This means cybersecurity will continue to gain relevance as a ship-related security topic. – NfR

Through the Digital Container Shipping Association, we are now championing the harmonisation of these standards to create an industry-wide framework in order to meet the challenges posed by cybersecurity.

The security of on-board IT and networks and an appraisal of associated challenges such as the lack of broadband connections are becoming increasingly important in the shipping industry. Nonetheless, we believe a ship should be able to operate without IT support in an emergency. The operational systems of our fleet are not yet connected with the systems which are essential for ship operation and Hapag-Lloyd's IT. As a result, they are not at risk of cyberattacks, and we monitor their security separately. However, new acquisitions that have technical external access capability are associated with these kinds of risks, so that we will have to take preventive security measures in the future. – NfR

For this reason, numerous measures were implemented during the reporting period, starting with ships registered under the German flag. The previously strict separation between business IT systems on land and operational IT on board will gradually be abolished, and the systems will be planned and implemented together in the future. A suitable IT platform for ships registered under the German flag is currently implemented. In order to address challenges and risks of cyberattacks, a process is simultaneously being established to safeguard IT security at sea and to respond to new reporting requirements. This will be implemented by 2021. Existing IT security standards will be harmonised in the coming months and will be applied to our fleet in future. – NfR

In preparation for the new requirements of the ISM code which will be valid from 2021 (see Safe ship operations, p. 53 et seq.), in 2019 we carried out external audits of IT and OT security on board in Hamburg and Dubai. As a result of these audits, measures for improvement continue to be implemented. – NfR

## DATA AND INFORMATION TRAINING

We place great value on ensuring that our employees throughout the company are familiar with the responsible and legally compliant handling of information and data. We have used a blended learning concept to train our shore-based personnel since 2018. This combines several training types such as Web-based and on-site training, and is supplemented with course content and news on the intranet. We thereby pursue the high standard of providing insight that goes far beyond the minimum required under data protection law. Our experiences with the new concept so far have been very positive. – NfR

Our data protection experts also train our shore-based personnel in changes in the law and new employee hires. Departments that handle sensitive data receive training from us on specific issues as part of risk-oriented corporate management. We used on-site training events in 2019 to train various HR departments worldwide on the GDPR and employee data; Sales and Customer Service were also trained. Furthermore, we developed a user awareness programme for phishing emails, which is to be implemented in 2020. As part of the actions required for the ISO 27001 certification of our information security management system, we are currently developing an interactive training concept that must be completed in the event of repeated cases of misconduct. – NfR

The marine personnel on board our ships under the German flag are also trained and made aware of IT security and data protection. By way of example, we implemented an awareness campaign in 2019 that included mandatory training on board and communication measures such as posters. We cannot carry out Web-based training at sea for technical reasons; our officers provide instruction instead. – NfR

## DATA PROTECTION ENQUIRIES

We communicate important information regarding data protection in a transparent way, for example via our data privacy statement on our website and in our Mobile App. We also receive specific enquiries from employees and citizens regarding data protection and the processing of their data by Hapag-Lloyd, including via our whistle-blower hotline and email (see Compliance, p. 23 et seq.). New processes, such as a ticketing system, have prepared us for an increase in data privacy questions so we can promptly provide detailed information to those concerned. During the reporting period, employee enquiries regarding data protection regulations increased in particular, while we continued to receive relatively few notifications. – NfR

In 2019, there was one reportable IT security incident, which was classified as insignificant after consultation with the regulatory authorities. – NfR – 418-1





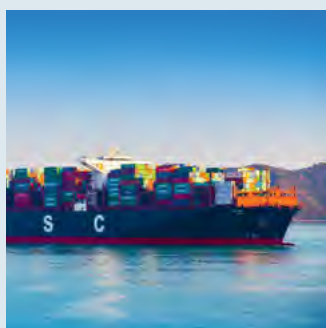
# Environmental and climate protection

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Climate protection and reduction of emissions 69

Environmental and water protection 77



### LEGAL COMPLIANCE WITH LOW-SULPHUR FUELS

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Switching to low-sulphur fuels is labour-intensive. Thanks to the exceptional commitment of the staff involved, we were able to make the changeover on time: as of the end of 2019, most of our fleet already operates on low-sulphur fuel.

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# Management approach

– 302/103, 305/103

As a globally active liner shipping company, we are well aware of our major responsibility towards the environment. We actively work towards minimising our impact on the environment and climate as much as possible, both on land and at sea. We achieve this by means of global environmental and quality management standards, which we continuously monitor with audits. – NfR

Our strategy and methods for reducing negative impacts on the environment are defined in our long-term sustainability policy. This draws on a wide range of environmental standards and certifications such as the global environmental and quality management standards ISO 9001 and ISO 14001, which we fulfil both at our sites and on our own ships (see Sustainability management, p. 12 et seq.). On the other hand, certification of energy efficiency (EEDI<sup>1</sup> certification) and of prevention of oil, water and air pollution (such as IOPP, ISPP and IAPP<sup>2</sup>) refer specifically to ships.

– NfR – 306/103, 307/103

We have established clearly defined processes and audits worldwide which allow us to regularly assess our compliance with the requirements of the standards and certifications, as well as with applicable environmental laws and regulations. – NfR – 307/103

Since 2018, the International Maritime Organization's (IMO's) Marine Environment Protection Committee (MEPC) has pursued the goal of reducing absolute greenhouse gas emissions by 50% by 2050 compared with 2008 levels. We support this ambitious target. However, we can also see the challenges this will pose, which will only be overcome with innovation. – NfR

Hapag-Lloyd also aims to reduce its specific CO<sub>2</sub> emissions per TEU-kilometre<sup>3</sup> by 20% by 2020 as compared with 2016. – NfR

1 EEDI = Energy Efficiency Design Index

2 IOPP = International Oil Pollution Prevention Certificate

ISPP = International Sewage Pollution Prevention Certificate

IAPP = International Air Pollution Prevention Certificate

3 In accordance with the calculation method of the Clean Cargo initiative.

## OUR TARGET FOR 2020

# –20%

## CO<sub>2</sub> EMISSIONS

per TEU-kilometre by 2020 (base year 2016) – NfR

In this context, there are currently two major challenges for us: the implementation of a propulsion system based on liquefied natural gas (LNG), and the strategic focus associated with it. We are actively involved in dialogue with the scientific community about the development of alternative modes of propulsion – for example, via our partnership with the Hapag-Lloyd Center for Shipping and Global Logistics (CSGL) at Kühne Logistics University, a research center, and within the context of the Clean Cargo initiative (see Lowering emissions through active membership, p. 76).

New technologies such as fuel cells cannot currently be used for propulsion on our ships because the technology is not yet sufficiently mature.

The EU's Monitoring, Reporting and Verification Regulation (MRV) was launched in 2018. This concerns the reporting of CO<sub>2</sub> emissions and fuel for ships of over 5,000 gross tonnage that call at European ports. The IMO's data collection system (DCS), which prescribes the reporting of this data on a global level, was launched in 2019. Hapag-Lloyd naturally fulfils the requirements of both regulations.

# Climate protection and reduction of emissions

As a liner shipping company, we are able to apply the greatest leverage for effective climate protection strategy in our fleet operations. The reduction of greenhouse gases is one of our most important goals. We want to do this in part by increasing energy efficiency, introducing strict requirements for newbuilds and taking measures to reduce bunker consumption. – NfR – 102-11

## EFFICIENT USE OF ENERGY

– 302/103, 305/103, 307/103

We aim to achieve the highest possible transport capacity with the lowest possible energy consumption. In doing so, we will comply with all applicable regulations, even though the increasing requirements are challenging for us both technologically and financially. Having said this, we see each new requirement as an opportunity to reinforce our contribution to the protection of the environment and people, and to reduce the negative effects on the environment. Moreover, Hapag-Lloyd is committed to ensuring that the regulations are equally binding for all companies.

– NfR

We regularly invest in measures to maintain and increase the efficiency of our ships. This enables our ships to achieve a long service life of up to 25 years and has a long-term positive effect on the environment and our competitiveness. – NfR

## Specifications for newbuilds and modernisations

When building new ships or modernising existing vessels, we develop designs according to the latest technological efficiency and environmental standards. We monitor the success of our measures using the Energy Efficiency Design Index (EEDI). This index expresses the relationship of the engine output, specific fuel consumption and CO<sub>2</sub> factor with the capacity and speed of the ship. – NfR



Hapag-Lloyd wants to reduce its specific CO<sub>2</sub> emissions per TEU-kilometre by 20% by 2020 (base year: 2016). Fleet Management continually aims to reduce bunker consumption, in part by taking measures to minimise water resistance.

In 2017, due to the installation of the latest technologies, the EEDI rating of the five new ships was around 40% to 60% below the IMO reference line for similar ships. No new ships went into service in 2018 or 2019. – NfR

A remeasurement according to EEDI requires the relevant ships to be out of service for several weeks. We therefore forego a remeasurement following the modernisation of a ship, though this would likely lead to much improved EEDI ratings.



**Energy use in fleet operations – 302-4**

Fuel consumption is an important starting point when it comes to the continual reduction of energy use in ship operations. In our Safety Management Manual (SMM) and Ship Energy Efficiency Management Plan (SEEMP), we have set clear guidelines to keep our bunker consumption as low as possible. We continuously monitor adherence to the guidelines and immediately inform our seafaring staff in writing of any changes. In 2019, we trained our Board Management team in fleet monitoring, speed regulation, trim optimisation and reporting as part of an information campaign to improve energy efficiency on our ships registered under the German flag. – NfR

The ongoing monitoring of data from ship operations makes it possible for us to identify unused potential in the utilisation rate of the ships with regard to carrying capacity (see Digital solutions in ship operations, p. 61). The greater the utilisation of the ship space, the more efficient the energy use. – NfR

Our specific bunker consumption for the entire fleet per slot decreased from 2.75 tonnes in 2018 to 2.59 tonnes<sup>4</sup> in 2019. – NfR – 302/3

Energy efficiency can be further increased by reducing water resistance. To this end, we optimise the hydrodynamic design of the bulbous bow and propellers on our ships. Ship-specific biofouling management plans are drawn up to prevent fouling on ship hulls. By means of a new digital solution, we can quickly initiate changes in water resistance that stem from fouling and quickly remove it. We were able to save around 9% on energy in the form of fuel, only by removing the fouling on the affected ships. Correspondingly, cleaning of 33 ships took place during the reporting period. – NfR

# 2.59t

## of bunker consumption

per slot (in terms of the average annual container TEU capacities on a weighted monthly average of all ships operated for us in 2019) – NfR

In 2019, the absolute bunker consumption (distillates and residual oils) for the entire fleet was around 4.38 million tonnes (2018: around 4.40 million tonnes). 16% of total consumption (2018: 13%) consisted of low-sulphur bunker fuels (MFO<sup>5</sup> low sulphur and MDO<sup>6</sup>). – NfR – 302-1

In order to reduce emissions and our energy consumption, we also consider the lowest possible environmental impact when procuring goods and services. One means of doing this is by using energy-saving reefer containers (see Sustainable procurement, p. 82 et seq.).

**Energy supply while ships are docked**

Traditionally, docked ships use fuel known as “auxiliary diesel” to cover their energy requirements. However, fuel combustion pollutes the air in the port with direct emissions, for which reason onshore power is increasingly being used instead. Having said this, in many ports it is not possible to supply ships with onshore power while they are docked because neither the ships nor the ports have the requisite technical requirements.

We continually see how requirements are changing in ports that are relevant to us: for example, in Californian ports, 80% of electricity must be covered by onshore power starting in 2020, with this figure likely to rise to 100% by 2021. In China, an increasing number of ports are also being equipped with the necessary technical infrastructure for the supply of onshore power. For ships with the relevant infrastructure that call at these ports, the use of onshore power has been mandatory since July 2019. – NfR

<sup>4</sup> In relation to the average annual container storage space on a weighted monthly average of all ships operated for us in 2019.

<sup>5</sup> MFO = Marine Fuel Oil

<sup>6</sup> MDO = Marine Diesel Oil



In order to comply with more stringent legal requirements around the globe, we are successively retrofitting our ships on specific routes with onshore power connections. During the reporting period, one ship in our fleet was fully converted for onshore power. The retrofitting of two more ships has also begun. Currently, eleven of our 41 ships registered under the German flag and eight of our 127 charter ships can now connect to onshore power and are used on routes calling at Californian ports. – NFR

Hapag-Lloyd is testing other options to make the power supply to docked ships more environmentally friendly. One option are PowerPacs, i.e. containers that hold gas-powered generators and a tank of LNG. While berthed, the containers supply the ship with electricity, which means fuel combustion can be avoided. This results in far fewer emissions. We first tested the technology in the Port of Hamburg in 2018. In October 2019, we carried out another test with a double PowerPac, which resulted in double the output. In the next step, an operational and commercial evaluation of the test will be carried out in conjunction with our project partners.

#### **Energy use at our sites**

We set ourselves site-specific targets throughout the world to reduce our energy use and emissions, since energy use is managed locally. These goals include the reduction of absolute or specific energy consumption at sites. At our headquarters at Ballindamm in Hamburg, 100% of our electricity comes from renewable energy sources. – NFR – 302-1

**CUTTING EMISSIONS – 305/103**

Bunker consumption and quality have the biggest influence on our emissions. This is where we make concerted efforts to reduce our emissions of greenhouse gases and other air pollutants. – NFR

In addition to concrete optimisation measures on board our ships, we also take part in voluntary environment protection programmes in various ports. For instance, all of our ships are registered in the Environmental Ship Index (ESI), which evaluates a ship's environmental impact with particular regard to its emissions. Ships with an ESI score that is much higher than the one specified by the local port authorities benefit from reduced port charges.

# 40.22g

of CO<sub>2</sub> emissions

per TEU-kilometre<sup>7</sup> (based on fleet bunker consumption) – NFR

**Greenhouse gas emissions**

Since 2008, we have cut our specific CO<sub>2</sub> emissions by around 50%<sup>8</sup>. This was only possible through the implementation of numerous measures such as the use of larger, more efficient ships, improved water resistance,

7 The specific CO<sub>2</sub> emissions based on the CC method relate to 2018. The value for 2019 was not yet available at copy deadline, as the external calculation is conducted downstream.

8 The specific CO<sub>2</sub> emissions based on the CC method relate to 2018. The value for 2019 was not yet available at copy deadline, as the external calculation is conducted downstream.



the introduction of digital solutions, improved routing, and planning along the entire transport chain. Measures for more efficient use of container slots on board also had a positive effect on reducing specific CO<sub>2</sub> emissions. We want to ensure that this trend continues. We continue to get closer to our target of reducing specific CO<sub>2</sub> emissions per TEU-kilometre by 20% by 2020 (base year 2016): compared to 2016, we were able to achieve a reduction of around 17%<sup>9</sup>. – NFR – 305-4

# 13,694,652t

of CO<sub>2</sub> emissions

in total (based on fleet bunker consumption) – NFR – 305-1

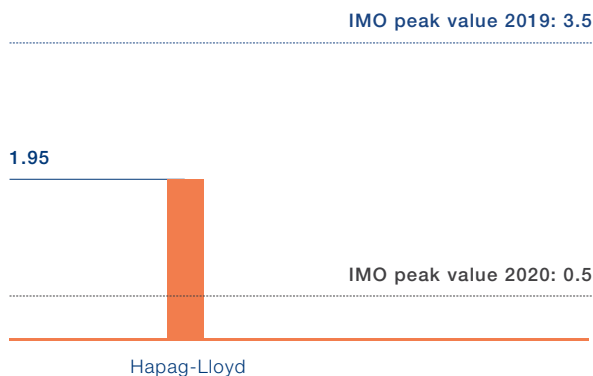
**Air pollutants**

In addition to reducing greenhouse gases, our goal is to reduce air pollutants and comply with legal requirements. The combustion of fuel on board our ships releases air pollutants, primarily nitrogen oxides (NO<sub>x</sub>) and sulphur oxides (SO<sub>x</sub>). In 2019, we received lab analyses of around 99% of our fuel delivery in order to determine its sulphur content. During the reporting period, our fuel had an average weighted sulphur content of 1.95% (previous year: 2.26%). This put our levels below those specified by the IMO threshold of 3.5% that was valid until 31 December 2019 for marine areas outside emission control areas (ECAs). – NFR

Special statutory regulations on fuel quality apply to many of these special protection zones in order to improve air quality in coastal areas. In China, for example, a law on the use of low-sulphur fuels was introduced in 2019 – similar to the ones in the USA, Canada, Baltic and North Sea regions. In the future, there might be similar specifications for the Mediterranean. – NFR

9 The specific CO<sub>2</sub> emissions based on the CC method relate to 2018. The value for 2019 was not yet available at copy deadline, as the external calculation is conducted downstream.

**WEIGHTED AVERAGE SULPHUR CONTENT  
(IN %) (2019) – NfR**

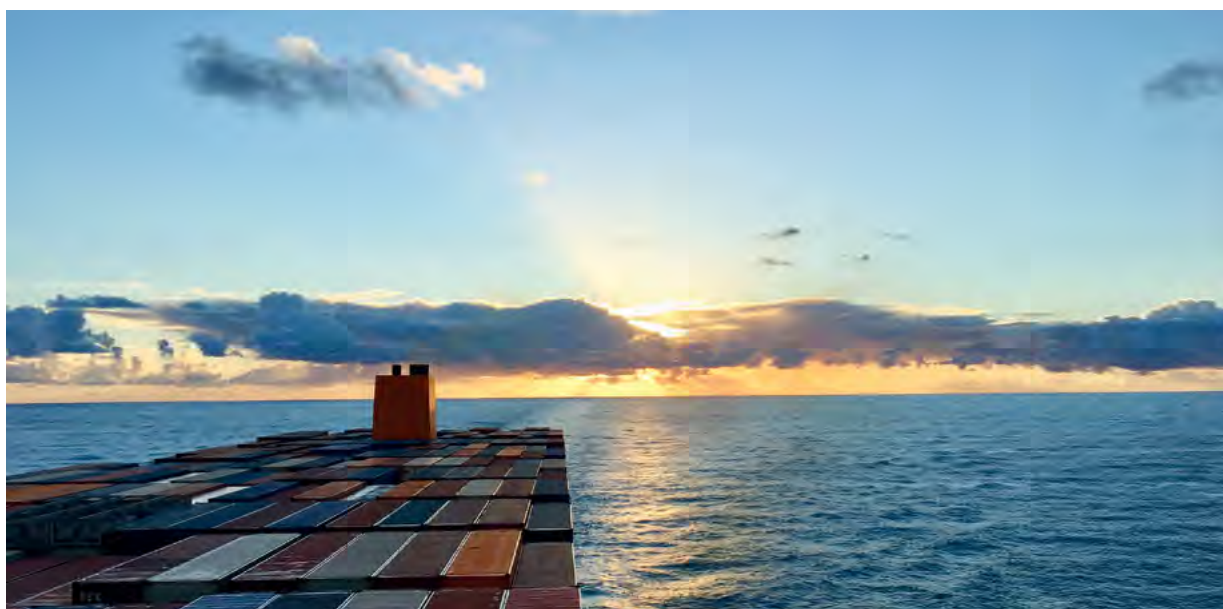


The new IMO requirements come into force on 1 January 2020. These requirements prohibit the use of bunker with a sulphur content of more than 0.5% (heavy fuel oil, HFO) – unless exhaust gas cleaning systems known as scrubbers are used. – NfR

We are able to comply with the new requirements in various ways: by acquiring compliant bunkers with low sulphur content, retrofitting ships for operation with LNG – which is not possible for all ships – and retrofitting ships with exhaust gas cleaning systems. – NfR

To ensure smooth conversion of bunker for our entire fleet in a timely manner, we set up an internal IMO 2020 working group with representatives from all relevant departments during the reporting period. The working group was tasked with considering operational requirements and financial aspects as well as ensuring the lowest possible degree of disruption to daily operations. To do this, we analysed potential challenges associated with the conversion in advance. These include appropriate communication with the fleet managements; early initiation of conversion measures due to long ship transit times; release of necessary capacities; additional costs for discharge of non-compliant fuel; and tank cleaning. On this basis, we developed a road map for the conversion that integrates all fleet managements and carried out ship-specific implementation plans (SIPs) with all relevant departments. The actual conversion of the entire fleet to the procurement and use of compliant bunkers took place as planned in late 2019. – NfR

We also scheduled ten ships to be retrofitted with exhaust gas cleaning systems; four had already been completed by the end of 2019. An evaluation of the retrofitting measures will take place during ship operations in 2020. – NfR



## INTERVIEW WITH LARS ROBERT PEDERSEN

# Global harmonisation: Uniform standards for climate protection



As Deputy Secretary General of BIMCO – the world's largest international shipping organisation - Lars Robert Pedersen is responsible for the NGO's efforts to advance its members' agenda in the regulatory, technical and security areas particularly in relation to the environmental aspects. He has an engineering background from Maersk, and been one of BIMCO's representatives at the sessions of the International Maritime Organization since 2010, working on all the issues relating to emissions and ballast water treatment, to name a few.

### How would you describe the purpose of BIMCO?

BIMCO is an international shipping organization, which acts as an independent association of shipowners, shipping companies, shipbrokers, shipping agencies and numerous other shipping stakeholders. We aim to improve standards and harmonise rules and laws in maritime shipping and put an effort into being a trusted partner and independent expert. Our more than 50 employees provide a lot of practical advice to our members – also to the smaller members which might not have

the necessary in-house capabilities, because they don't have a large legal team or experts on a variety of operational issues.

### What are the challenges in the field of environmental law and regulations?

We are making progress as an industry but I think there is still a long way to go. The challenge is to get all relevant stakeholders on board despite very different circumstances all around the world. It's a challenge to be sufficiently progressive but at the same time bringing everyone along in order to comply with the environmental laws. However, this is an essential prerequisite for such an international industry. We see this for example in the case of not throwing plastic over board. This has been a rule in shipping all the way back to the seventies. Naturally, these regulations have to be embraced by the companies themselves, it must be both company policy and culture, and ultimately it all boils down to the actions of every single individual involved.

### Are there any mid-term goals for the environmental aspects within the next few years?

We believe that mandatory requirements for hull cleaning in regard to biofouling will be the next point on the agenda. This is why we at BIMCO took the initiative to develop an international standard for hull cleaning and with that a certification screening for hull cleaners to ensure a certain quality throughout the whole process. To avoid local individual solutions which may be incompatible, or even conflicting, we want to move into a global process at IMO and establish worldwide standards.



**How do you rate Hapag-Lloyd's recent efforts?  
What do you think about IMO's long-term  
goals to reduce greenhouse gas emissions?**

We are very happy to have Hapag-Lloyd as an active member in our committees. I know about your project to retrofit a vessel to LNG propulsion. Such a commitment is needed in our initiatives and a step in the right direction. Of course, there are technological developments and these decisions could be different in 10 years' time. Counteracting climate change in the long-term can only be achieved by avoiding emissions from fossil fuels. The IMO has made its position clear by setting a goal to halve greenhouse gas emissions by 2050. We believe a lot of research and development is needed to achieve this goal. Therefore, we propose to set up an R&D fund together with the World Shipping Council, among others, to drive technological developments in the right direction. Hapag-Lloyd is a welcome partner in this drive!

**Bottom image:**

Uniform global legislation promotes climate and environmental protection in maritime shipping.



## Lowering emissions through active membership

– 102-12, 102-13

Hapag-Lloyd has been a member of the Clean Cargo initiative for over ten years. Clean Cargo is a global business-to-business initiative representing large shipping companies, global traders and producers in order to promote responsible shipping through standardised reporting. The shipping companies represented in the Clean Cargo initiative account for around 80%<sup>10</sup> of the global container cargo capacity. In an annual report published by the Clean Cargo initiative, we communicate our progress with the reduction of our specific greenhouse gas emissions. – NfR

We continue to be a member of the Global Logistics Emissions Council (GLEC) and the EcoTransIT World Initiative (EWI), an independent platform for transport companies, shipping agents and logistics service providers. In both of these initiatives, we are helping to create transparent evaluation criteria for the industry's impact on the environment, such as uniform calculation standards for emissions. – NfR

We support the objectives of the International Chamber of Shipping (ICS) as well as of the World Shipping Council (WSC) and the Baltic and International Maritime Council (BIMCO) for the reduction of CO<sub>2</sub> emissions in current negotiations with the IMO and the United Nations Framework Convention on Climate Change (UNFCCC). We also support the relevant aims in the environmental committees of the European Community Shipowners' Association.

– NfR

As a member of the Trident Alliance and a participant in political forums, we campaign to ensure that the IMO's decision to restrict sulphur content to 0.5% from 2020 and the ban on non-compliant bunkers are adhered to throughout the industry. We develop measures for global implementation on various expert panels<sup>11</sup>. – NfR

Hapag-Lloyd is active in two working groups in the European Commission's European Sustainable Shipping Forum (ESSF). In addition to the restrictions on sulphur

content, the forum discusses many other topics with a view to improving the environmental impacts of commercial shipping. – NfR

Our customers can obtain information about the various emissions in their transport chain using the Hapag-Lloyd [EcoCalc](#) free of charge. The emissions are calculated based on data from the Clean Cargo Initiative and EcoTransIT World.

## Awards

Our environmental action received several awards once again in 2019. In October 2019, Hapag-Lloyd received an award in the Green Shipping category at the Maritime Standards Award in Dubai for the conversion of its container ship "Sajir" to LNG propulsion. With this prize, the jury acknowledged our "trailblazing" contribution to environmentally friendly shipping and the improvement of environmental protection. In order to carry out the necessary conversions, the 15,000 TEU ship will probably enter the yard for a period of about 100 days in the second half of 2020.

Hapag-Lloyd received a gold and a silver award in 2018 as part of the Protecting Blue Whales and Blue Skies initiative for its speed reduction in Californian waters. We managed to continue improving our performance in 2019 and were placed in the best category, "Sapphire". The prize is expected to be awarded in spring 2020 (see Partnerships for protection of the marine environment, p. 78).

As in previous years, Hapag-Lloyd received four "green ships", the best rating possible in the GoGreen carrier rating from DHL Global Forwarding (DGF). The evaluation was made in recognition of our activities in the categories of sustainability management, transparency, CO<sub>2</sub> efficiency and sustainable innovation and development.



<sup>10</sup> This value may fluctuate due to market conditions and changes in membership.

<sup>11</sup> Including as part of the WSC delegation on the IMO MEPC (Marine Environment Protection Committee) and the IMO PPR (Pollution Prevention and Response) sub-committee.

# Environmental and water protection

– 303/103, 303-1, 303-2, 304/103, 306/103, 307/103



Hapag-Lloyd takes responsibility for protecting the waters it navigates and has implemented water protection management systems. Our internal “no garbage into the sea” policy serves as a guideline.

We are conscious of the impact we have on maritime ecosystems. Our aim is to protect life under water and on land to the best of our ability. In order to live up to our responsibility, we draw on a wide range of measures. – NfR – 102-11

## PROTECTION OF THE SEA AND MARINE BIODIVERSITY – 304-2, 307-1

Our business activities have an impact on marine biodiversity in a variety of ways. These include the emission of air pollutants, greenhouse gases and noise, and the disturbance of marine mammals. The main areas affected are along our routes and in the ports. We are actively working on restricting these environmental impacts through specific measures and our cooperation with industry members, authorities and NGOs. Our goal is to protect the waters we navigate and to comply with international regulations on water protection. – NfR

We have implemented global water protection management systems which we review regularly. Some criteria here, for example, are breaches of ballast water guidelines and the number of substances released which are listed under the International Convention for the Prevention of Pollution from Ships (MARPOL). – NfR



During the reporting period, our fleet experienced an oil leak on board the container ship “Dublin Express”, which encountered turbulent seas on its journey from Port Everglades to New York. When discharging the vessel in New York, damage to the hull was discovered below the water line at the level of a fuel storage tank. The leak was sealed that same night. Far-reaching oil barriers were also set up immediately, specialist companies helped with the clean-up, and proactive protective measures began for nearby conservation areas. Hapag-Lloyd worked together closely and successfully with the relevant authorities and affected parties in order to keep the impact on people and the environment as minimal as possible. – NfR – 306-3

## Ballast water – 102-12, 303-2

Marine biodiversity can be affected by the spread of invasive species when ballast water is released. Ballast water is used to stabilise ships in transit. Like all members of the industry, Hapag-Lloyd complies with stringent global legal requirements regarding ballast water management. Incidents of this kind are therefore highly unlikely. – NfR

One of the most important regulatory frameworks is the International Maritime Organization’s (IMO’s) Ballast Water Management Convention. Its goal is to prevent the spread of invasive species via ballast water. Implementation of a specific ballast water management plan is mandatory. The entire fleet meets this requirement in full. In addition, a ballast water treatment system to purify ballast water must be installed on every ship within a mandatory time period of a maximum of seven years. – NfR

The regulations of the US Coast Guard (USCG) for the protection of American waters are much more stringent. Currently, only 24 systems for ballast water treatment fulfil these high requirements worldwide, so that in individual cases, temporary exemptions must sometimes be made. We have had our existing systems approved temporarily as an alternative management system by the USCG. However, during the reporting period we continued to retrofit our ships in order to meet the requirements of the USCG in good time. – nfr

### Partnerships for protection of the marine environment – 102-12, 102-13, 102-44, 304-2, 304-4

Through our membership of the World Shipping Council (WSC), we are committed to establishing the traffic separation scheme off Sri Lanka's southern coast in order to protect blue whales on their migration routes. In November 2019, we supported an International Maritime Organization (IMO) delegation in their tour of the embassy responsible for this project in Sri Lanka. We also continued our participation in whale protection programmes in the Santa Barbara Channel (USA) and the Echo Program in the Haro Strait (USA/Canada). The projects are being scientifically supported by the National Oceanic and Atmospheric Administration (NOAA).

For the third year in a row, we are participating in the Protecting Blue Whales and Blue Skies programme which champions the reduction of air pollution around the Californian coast in order to protect endangered blue whales. By reducing the speed during their feeding season from July to November in the San Francisco Bay and Santa Barbara Channel, we can minimise both the emission of air pollutants and collisions with whales. 84% of the entire distance Hapag-Lloyd travelled in the San Francisco Bay and the Santa Barbara Channel in 2019 was covered at ten knots or less. For this, we received the highest award, in the "Sapphire" category, together with only one other shipping company out of 15 total participants. Our digital route monitoring system enables us to use special speed profiles for protected areas so we can guarantee our compliance with reduced speed limits. In addition to the positive environmental effects,

the ten-knot target allows us to operate ships with an efficient operating load and save on fuel costs. – 305/103

During the reporting period, we also voluntarily participated in the EcoAction Program in Vancouver (Canada), the Voluntary Vessel Speed Reduction Program in Los Angeles (USA) and the Green Flag Incentive Program in Long Beach (USA) to contribute to the reduction of our environmental impacts.

In October 2019, Hapag-Lloyd was one of the first signatories of the Arctic Shipping Corporate Pledge created by the Nike sportswear manufacturer and the Ocean Conservancy environmental organisation. With this voluntary commitment, we underline our particular responsibility for the oceans, and pledge to avoid the use of Arctic shipping routes so long as serious negative impacts on its unique ecosystem cannot be ruled out. At Hapag-Lloyd, this topic has accompanied Fleet Management for many years within the framework of a technical nautical risk analysis. It involved participation in the EU-funded ACCESS project (Arctic Climate Change Economy and Society), which has now been concluded.

We have been engaged in dialogue with the non-governmental organisations OceanCare and WWF Hong Kong since 2017 and have decided to ban the global transport of a number of controversial goods such as whale and dolphin meat, shark fins, turtles and hunting trophies. Since the transportation of these goods has not yet been internationally regulated, we have added them to an exclusion list. In doing so, we want to make a long-term contribution to the protection of endangered species and to maintaining biodiversity. We ensure implementation of these transport restrictions through our Cargo Patrol programme (see Dangerous goods, p. 57 et seq.).

## RECYCLING AND WASTE DISPOSAL

– 102-16, 301/103, 306/103

### Recycling ships and containers

If we take a ship out of service, we do not automatically relinquish our responsibility for the protection of people and the environment. Thus, in 2018, we updated our Hapag-Lloyd Ship Recycling Policy with an Inventory of Hazardous Materials (IHM) in line with applicable EU law. It highlights our objective of minimising the effects on society and the environment when it comes to recycling our ships as well. With an IHM, hazardous materials can be specifically identified when preparing a scrapping plan and measures adopted to protect shipyard personnel. Additionally, an environmentally friendly waste management strategy is planned and implemented as part of the IHM. Each newly built ship at Hapag-Lloyd is therefore equipped with a mandatory IHM.

We did not recycle any of our ships in 2019. If a ship is to be recycled, we strive to select shipyards that fulfil the requirements of the EU's Ship Recycling Regulation (SRR). However, most of these shipyards lack sufficient capacity. We approach these challenges in partnership with the European Community Shipowners' Associations (ECSA) and also search for suitable partners outside of the EU. A shipyard that complies with the EU's SRR

should also implement the guidelines of the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, which was ratified by Germany as well in 2019.

Hapag-Lloyd is also a founding member of the Ship Recycling Transparency Initiative (SRTI), which was founded in 2018 by shipping companies, banks, ship-owners and charities. Its aim is to increase industry transparency with regard to the environmentally friendly recycling of ships under safe working conditions. Hapag-Lloyd is involved in increasing the initiative's sphere of influence and, as such, plays an active role on its steering committee. Additional members of the SRTI were acquired during the reporting period.

Hapag-Lloyd's commitment to responsible ship recycling was awarded with the DNV GL's Excellence Green Star Award in 2018 following an independent assessment. As part of the certification process, an external organisation reviewed our recycling processes.

If containers are no longer suitable for transporting cargo by sea, they are repurposed if possible – for instance, for the stationary storage of goods. We currently only recycle containers in exceptional circumstances and in compliance with local regulations.





### Waste disposal

Preventing waste from entering the world's oceans has been a major topic for the shipping industry for decades. The MARPOL agreement on the prevention of marine pollution by ships came into force in 1973 and has continued to evolve. This agreement stipulates, for example, how ships are to handle oil, hazardous liquids, waste water and other waste.

Hapag-Lloyd's "No garbage into the sea" policy has also been put into practice for decades. All waste on board is collected, separated and deposited at the relevant ports for proper disposal in line with local environmental regulations.

Our sites around the world are working towards avoiding waste wherever possible; they do this for example by installing drinking water fountains in some of the Areas and in the Hamburg headquarters, and by providing recyclable glass bottles in conference rooms. By using reusable cups at many sites, we are also reducing our consumption of disposables. We also raise awareness

among our employees about careful use of resources and waste avoidance. At the same time, we strengthen their acceptance of these topics. This allows us to implement our measures more successfully and achieve significantly better results.

In our regional headquarters in the Region Middle East for example, we have promoted the use of reusable cups via our "Choose to reuse" campaign. With success: within one year, 58% fewer paper cups were used. During the reporting period, we also advocated the replacement of plastic bottles with recyclable glass bottles via our follow-up "Say no to plastic" campaign. This resulted in 92% fewer plastic bottles being bought than in the previous year. At our Global Service Center in India, we replaced all plastic water bottles with stainless steel as part of our "No plastic" initiative. We encourage sellers of plastic water dispenser bottles to ensure they are disposed of in an environmentally friendly way and to check whether this can be certified by the relevant authorities.

# Supply chain and customer focus

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### PRODUCT OPTIMISATION THROUGH CUSTOMER FEEDBACK

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Customer feedback helps us to further improve our mobile app. Since July, users have been able to view not only their own bookings in the app, but also their colleagues'. In August, we recorded a considerable increase in the number of bookings via the app.

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# Sustainable procurement – 102-9

In the course of our business activities, we source various goods and services from suppliers worldwide. Due to the significant financial and material scope of these goods and services, professional procurement management is a major factor in Hapag-Lloyd’s success.

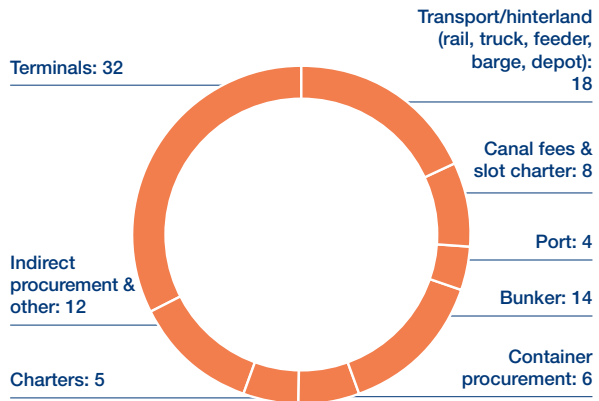
## MANAGEMENT APPROACH

Hapag-Lloyd procures a wide range of goods and services. The goods procured range from office materials and replacement parts for ships to containers, bunker and container ships. The portfolio of services includes shipments, terminal handling and maintenance, as well as training and consultancy services. The diversified procurement portfolio with its high technical and qualitative standards, and the differing market structures for our global needs, affect the complexity of our procurement activities.

In 2019, truck capacity shortages in some countries were the biggest challenge facing Procurement. However, we were able to minimise the associated negative effects on Hapag-Lloyd and its partners through targeted market research and cooperative negotiations.

€11,373 million  
in purchased goods and services

## PROCUREMENT COSTS BY USAGE (IN %)



With every purchase, we consider prevailing demand and market structures, as well as availability, quality and prices. We focus in particular on the prevailing legal requirements. The agreements with our partners in THE Alliance influence our purchasing decisions. Advantages and disadvantages for all partners must be analysed and considered in the decision-making process.

In 2019, we procured goods and services worth EUR 11,373 million (2018: EUR 10,525 million). The purchasing volume increased during the reporting period, partly due to the increase in transport volume and higher expenses for chartering. The increase was partially compensated for through various cost-cutting programmes.



### Procurement organisation

We manage our procurement activities optimally through our central Global Procurement organisation. It is responsible for harmonising our global procurement processes and for training Procurement staff in modern procurement methods and systems.

Under the functional management of Global Procurement, the regions and areas are also responsible for elements of procurement. The managers responsible are provided with strategic and methodological support and actively assisted with the implementation of measures.

As a result of the standardised global processes and systems that we combine with our regional knowledge of the markets and their requirements, we ensure that we can make optimal procurement decisions.

Global Procurement is currently working together with local procurement units with the aim of further improving the cost structure and thus the competitiveness of Hapag-Lloyd. Furthermore, our expertise in procurement is to be strengthened in order to manage the relationships with suppliers even more sustainably.

### Sustainable supplier management

– 307-1, 308/103, 308-2, 414/103, 414-2

Key elements of our sustainable supplier management system are our procurement guidelines, sustainability policy, and the quality and environmental management (QEM) manual. In the course of developing our procurement organisation, we are revising the procurement guidelines and introducing comprehensive revised and new guidelines that take local requirements into account. Our QEM manual establishes a standardised global approach for qualifying and assessing suppliers in terms of quality and environmental protection. This enables us to create a consistent understanding among our global suppliers of the basic values of our partnership.

We place great value on trusting and long-lasting relationships with our suppliers. We achieve this through our structured selection and evaluation process, the development of suppliers, and the consideration of risks in the supply chain.



When concluding a framework agreement with Hapag-Lloyd, our business partners are obliged to sign our supplier code of conduct. This code of conduct covers aspects such as the environment, employee rights, compliance with human rights and combating corruption and bribery. Business partners have two options: either they can subscribe to the content of Hapag-Lloyd's supplier code of conduct or they can confirm that they possess their own code of conduct which is consistent with our values. However, we do not have this kind of contractual relationship with all our suppliers. As a result, around 70% of suppliers, accounting for 95% of our procurement volume<sup>1</sup>, signed the code of conduct in 2019.

Throughout the partnership, our service providers regularly inform our Procurement team about how they tackle the environmental and social challenges within their field of business and distinguish themselves from the competition in terms of these topics. Port and terminal operators, for example, report on how they lower the diesel consumption of cranes, produce electricity in a resource-friendly way or reduce truck waiting times. In order to keep costs and environmental impacts as low as possible over the entire life cycle of our services, we consider such topics as part of a "total cost of ownership" approach when selecting our suppliers.

Around 200 suppliers with high supply volumes are obliged to submit a self-assessment and to renew it every two years. Alternatively, the supplier may choose to undergo an audit, generally carried out by Hapag-Lloyd, on topics such as quality, compliance, employee aspects, the use of subcontractors, IT security and

<sup>1</sup> Refers to terminal, transport and port in the context of Global Procurement.

the environment. For all other suppliers, the audits and self-assessments are optional. In 2019, around 70% of our suppliers, accounting for 80% of our procurement volume<sup>2</sup>, submitted a self-assessment or underwent an audit.

Suppliers that fulfil all our requirements are added to our Approved Supplier List (ASL). If our requirements are not fulfilled, we make a record of deficiencies and remedial measures. If suppliers do not implement these measures satisfactorily, we terminate the contract. In 2019, no significant breaches of our ecological or social standards in our supplier relationships managed by Global Procurement were identified. Consequently, no contractual relationships were terminated as a result of such breaches.

Sometimes there is only a limited number of available business partners – for example, with rail or terminal service providers. Reasons for this are primarily the nature of the regional market and the flexibility of the services

available on the route. Here, the main criterion for making the decision is whether the particular route can be served at all.

#### **Global Agora project to promote excellence in procurement**

As part of the Agora project, we identify and realise optimisation potential in procurement and review our procurement processes for efficiency and compliance, among other things.

The aim of Agora is to lower global transport costs through international partnerships and to continue professionalising procurement through the clear assignment of tasks and automated processing. In 2019, we developed and implemented systematic measures. In doing so, we applied advanced procurement methods and collected valuable experience. We also achieved substantial financial savings and improved our supply situation.

<sup>2</sup> Refers to terminal, transport and port in the context of Global Procurement.



Agora is already being applied in the regions. Implementation has not yet been completed in Europe. The majority of our global procurement staff has now been integrated and trained. Experiences from this project will influence the future development of our central supplier management.

#### **More efficient processes in collaboration with our business partners: terminal partnering**

In addition to internal optimisation measures, we are also working together with our business partners on continually improving processes through our terminal improvement programme. One component of this is terminal partnering. Here, our employees work with terminal operators to analyse the individual processes before and after arrival at the port, as well as during handling. This aims to shorten the time required for the port call and for the use of terminal services such as container storage. This has led to time and cost savings in Jebel Ali (Dubai), Colombo (Sri Lanka) and Singapore since 2018. The terminal partnering programme is currently in the roll-out phase in five of our now six regions.

#### **Outlook: future development of procurement**

Our goal is centrally managed, comprehensive and globally synchronised supplier management. With it, we want to improve our ability to identify risks in the supply chain as well as the monitoring and evaluation of contractual relationships and suppliers. To this end, we are currently harmonising our procurement processes and developing a global blueprint for organisational structures and processes in our regions and areas. This procedure is designed to make our procurement organisation more transparent and efficient, and to lower costs. We launched an eProcurement suite in 2019, which will be rolled out globally in 2020.

With the introduction of the eProcurement suite, we want to:

- Define topics such as quality, environmental and risk management, as well as social aspects, as procurement criteria and standardise them worldwide
- Systematically record and evaluate risks in the supply chain
- Conclude contracts with more suppliers, thus significantly increasing commitment to our supplier code of conduct
- Introduce the standard requirement to provide a self-assessment or undergo an audit at the start of a business relationship
- Improve our partnerships with suppliers.

## **BUNKER PROCUREMENT**

A major proportion of the goods we procure is accounted for by fuel (known as bunker). When procuring this fuel, we use strict selection criteria to ensure that we comply with technical standards and environmental regulations, without exception.

Bunker includes distillates (MDO/MGO<sup>3</sup>) and residual oils (IFO/HFO/VLSFO/ULSFO<sup>4</sup>), which differ in their heating values. When procuring fuels, we ensure that they have the highest possible energy content. This minimises costs and emissions (see Climate protection and reduction of emissions, p. 69 et seq.). – NfR

During the course of the year, we received laboratory analyses for around 99% of our fuel deliveries and have procured a total of 4.4 million tonnes (2018: around 4.3 million tonnes) of bunker for the entire fleet, with an energy content of around 179 million GJ. – NfR

From January 2020, the new threshold for sulphur content in bunkers will be 0.5%, as specified by the International Maritime Organization (IMO). In order to ensure that we comply with the new requirements in a timely manner and that the conversion is as straightforward as possible, we set up an internal, interdepartmental IMO 2020 working group. In keeping with our plans, bunker procured at the end of the year was largely IMO 2020-compliant (i.e. VLSFO, ULSFO or Low Sulphur MGO) (see Environmental and climate protection, p. 67 et seq.). – NfR

<sup>3</sup> MDO = Marine Diesel Oil, MGO = Marine Gas Oil

<sup>4</sup> IFO = Intermediate Fuel Oil, HFO = Heavy Fuel Oil

ULSFO = Ultra Low-Sulphur Fuel Oil, VLSFO = Very Low-Sulphur Fuel Oil

## CONTAINER PROCUREMENT

### Sustainability standards in container procurement

Depending on the type of cargo, we offer different types of containers. We distinguish between standard containers, containers for special cargo and reefer containers. As with our ships, some of our containers are bought and some are leased. The containers we buy are primarily manufactured in China in accordance with our specifications and quality requirements. We select our production locations based partially on where the containers will later be used, which helps us to reduce empty legs. We maintain a partnership with the manufacturers of our containers. This can involve visits by the technical team to the production facilities, particularly in the case of potential suppliers. As with all major procurements, we require regular, up-to-date self-assessments from these suppliers. We are currently launching the process for container leasing.

### Container floors – 301/103, 301-1

The floor of a container suffers the most wear during the course of a transport and therefore needs to be replaced more frequently. Currently, our containers have four different types of floors: wood, hybrid, bamboo or steel. The smallest proportion of container floors are made of pure bamboo, while the majority are hybrid floors combining the fast-growing raw material of bamboo and wood. However, we consider this type of floor a bridging technology. They have a shorter lifespan, are relatively heavy, and are difficult to dispose of due to the necessary use of processing materials.

We prefer to use our own internally developed containers with steel floors. These are made almost entirely of steel, and are for various reasons the best long-term solution from our point of view. They offer many advantages compared with conventional floors such as greater stability, lower weight, greater storage space and more security options for the cargo. Because they are odour-neutral and easy to clean, they are perfectly suited to transporting food. They are also more durable and can be recycled easily in the disposal phase because of their source material. We have determined that customers are satisfied with steel floors. Some customers, for example in the coffee industry, specifically request steel floors because of their odour neutrality.

# 48,100 TEU

## steel floor containers

since 2015

In 2019, we procured 8,000 TEU containers with steel floors – this corresponds to around 9% of the volume of new standard containers built during the reporting period. Since 2015, we have procured around 48,100 TEU with steel floors – corresponding to around 2% of our container fleet. This means that we were able to further pursue our aim to increase the number of steel floor containers in our fleet in the reporting year.

For standard containers, we currently estimate a useful life of 13 years, which means that switching to steel containers is a long-term goal. In order to achieve this and cover future demand, production capacities for steel floors must increase. With our increasing demand, we aim to motivate manufacturers to expand their capacity and continue their investment in production. We are engaging in open discussions with competitors and container leasing companies, and talking to our customers in order to raise awareness of the advantages of steel floors and thus encourage demand.

### More sustainable reefer containers

Many goods are transported in reefer containers. Reefers are equipped with an electrical unit that can keep the container at a steady temperature of between  $-30\text{ }^{\circ}\text{C}$  and  $+30\text{ }^{\circ}\text{C}$ . Hapag-Lloyd has a reefer fleet comprising a total of 206,400 TEU (2018: 185,500 TEU). Their energy efficiency and environmentally friendly cooling agents are particularly relevant in terms of their sustainability.

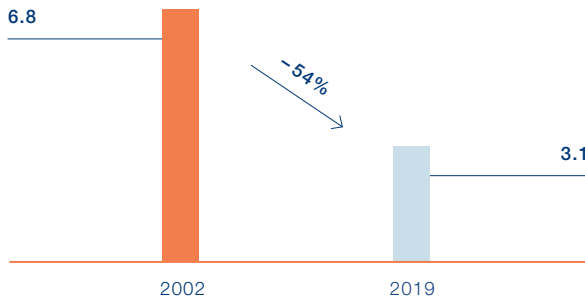
With a view to the strict international laws on the prevention greenhouse gases, such as the Montreal Protocol and the EU regulation on fluorinated greenhouse gases, we see the greatest need to take action in terms of selecting efficient cooling units and the cooling agents used.

We have only been using units with high energy efficiency ratings for many years now. In order to ensure that



classification is independent and robust, we also conduct our own efficiency tests on most of the models under specified load conditions. This also includes various external and simulated operating conditions. The results of these tests help us to determine the ideal usage type for each reefer. The average energy consumption per 40-foot reefer container has decreased in the last 17 years, from 6.8 kWh/unit (2002) to 3.1 kWh/unit in the reporting year. – NFR

**AVERAGE ENERGY CONSUMPTION PER 40-FOOT REEFER CONTAINER (IN KWH/UNIT) – NFR**



There is not much potential for further savings. One additional possibility for saving energy is the use of efficiency-enhancing software which can optimise temperature control, for example. However, its use may pose risks to the cargo which would be too high considering the low potential for savings. For this reason, Hapag-Lloyd cannot currently justify the use of such software.

We also support the development of more environmentally friendly cooling agents through our cooperation with suppliers of containers and reefer units on new technologies and alternative cooling agents. This includes long-term tests of CO<sub>2</sub> as a cooling agent.

Another challenge in terms of the sustainability of our containers is the substitution of the paints used in the construction of new containers. Here, too, we engage in dialogue with our stakeholders and support more environmentally friendly alternatives.

Together with the Institute of International Container Lessors (IICL) and the Container Owners Association (COA), we are also continually working to develop innovative container standards.

## INTERVIEW WITH ANJA RÖNNFELDT

# Well documented: Transparency through real quality promises



After being employed at a container liner shipping company, Anja Rönnfeldt joined DB Schenker Regional Office Asia Pacific in 2000 as Trade Manager. She later moved to global ocean freight and took over as Global Head of Trade Management. As Senior Vice President Global Ocean Freight, she understands quality as a key criterion when it comes to selecting suppliers.

**With its 2023 strategy, Hapag-Lloyd has set itself the goal of becoming the number one with respect to quality. How do you define good quality? Which aspects of goods transportation do you feel are the most important?**

If the customer is satisfied, then you have provided good quality. For us, it is important that a transport order is processed as smoothly as possible, which requires proactive dialogue, prompt and accurate documentation, and a reliable schedule. The end result should be that the loading of the container is carried out in accordance with the actual booking confirmation.

**At the end of January 2020, Hapag-Lloyd published three of its ten quality promises and**

**goals, which address the issues of prompt and accurate documentation and optimised document flow. The progress made towards achieving these goals can be tracked in a transparent way on the Quality Promise Dashboard. In your view, how important are transparency and measurability with respect to quality?**

Transparency and measurability are two important considerations when looking at quality. Certain things can only be evaluated and improved if you rise to the challenge of measuring them. Open handling of the status quo, clearly formulated goals and the fundamental willingness to measure key performance indicators on an ongoing basis and present this information in a transparent way are all clear indicators of Hapag-Lloyd's high quality standards. For us, this really is great!

**What do you believe makes good customer service? Are there things that Hapag-Lloyd does particularly well and that should be kept as they are in future?**

DB Schenker regularly carries out carrier surveys. In the course of these, we use the received information to evaluate aspects such as sustainability, ethics and compliance. However, another key component of the evaluation is customer service. This concerns the user-friendliness of online services as well as the availability of equipment, billing quality and the proactive provision of information in the event that a vessel is delayed.

We are delighted that Hapag-Lloyd constantly comes first in our carrier surveys and has the motivation to become even better in order to widen the gap between itself and its closest competitor.

# Customer focus

As part of our 2023 strategy, we have reaffirmed our efforts to become the quality leader on the market. We will achieve this goal by shifting the focus of our activities to the needs of our approximately 30,600 customers. We want to offer them even higher quality and more reliable services around the world. – NfR

## REAFFIRMED OUR CUSTOMERS AND OUR QUALITY PROMISE

Hapag-Lloyd maintains a diversified customer portfolio consisting of direct customers and freight forwarders all over the world. The portfolio consists of customers of various sizes with short, medium and long-term contracts.

As a customer-oriented company, we see the satisfaction and loyalty of our customers as vital to the success of our long-term business relationships. As a result of the accountability requirements resulting from the ISO 9001

certification of the quality management team, this aspect is being awarded even greater significance.

Different departments work hand in hand on processing the orders within the areas and regions in accordance with globally standardized processes. It is their ambition to improve customer satisfaction over time. The Sales department is responsible for customer communication until business acquisition. The Customer Service department deals with booking and the associated communication, while the Operations department coordinates the transportation of the cargo. – NfR





On the basis of a wide-ranging 2018 market survey as part of our 2023 strategy, it became clear which quality characteristics are most important to our customers: on-time delivery, resolution of customer issues and quick response to customer enquiries. Based on this information, we defined our Quality Promises in the reporting period. In early 2020 we published our first three Quality Promises, which cover quick booking processing, punctual and proper loading, and correct invoicing. We will gradually introduce the remaining Quality Promises during the course of the year. We now also have the necessary infrastructure to be able to continually measure our performance with regard to these Quality Promises and communicate them to our customers on our Quality Promise webpage. – NFR

## RECORDING CUSTOMER SATISFACTION

Our greatest challenge is continually increasing customer satisfaction and loyalty. We regularly conduct surveys in order to determine how satisfied our customers are. This also offers us the opportunity to use this feedback in order to identify areas where we could improve and to leverage this potential. – NFR

In 2019, two surveys were conducted in March and October. More than 6,500 customers took part in the surveys. The Sales and Customer Service departments in particular are responsible for doing a deep dive on the results of the customer surveys and for addressing the feedback through direct customer contact. Initial analyses showed that customer satisfaction has improved and that our staff have made a major contribution towards

this by responding to and processing customer enquiries quickly, for example. – NFR

In order to further improve the customer experience, we have also adjusted our processes, such as for customer-focused communication between the Sales and Customer Service departments. This means that we will be able to process customer enquiries more quickly in future.

## MEASURES TO BOOST CUSTOMER SATISFACTION

In 2018, we launched Quick Quotes, an expansion of the self-service platform in the web channel, in order to be able to process customer enquiries more effectively. Thanks to Quick Quotes, our customers can receive direct information about freight rates and can complete their bookings immediately via the web channel as well as download their order documentation. During the reporting period, we improved the user-friendliness of Quick Quotes and the customer area on our website (see Digitalisation, p. 60 et seq.).

Since 2019, we have been providing key information to customers in an even more transparent way via our mobile app. The app enables users to track the cargo, look up timetables and contact options, enquire about freight rates and make bookings. Other digital products for our customers are in the planning and development stages or are undergoing continual improvement (see Digitalisation, p. 60 et seq.).



# Corporate social responsibility

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### MORE QUALITY IN CONTAINER SHIPPING

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Exceptional quality only results from human contact, as demonstrated by the “Quality in container shipping” podium discussion with customers and partners. This is a major pillar of our ambition to become the number-one quality provider.

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# Corporate social responsibility

Hapag-Lloyd is a company steeped in tradition: with its roots in Hamburg for the past 172 years, the company is now active around the world. We are governed by Hanseatic principles that are firmly anchored in our corporate culture. We are involved with a wide range of projects that primarily relate to shipping. We support projects both financially and through the personal commitment of our employees.

## ORGANISATIONAL STRUCTURES AND AWARD CRITERIA

The main responsibility for Hapag-Lloyd's corporate citizenship lies with the Corporate Communication department and the Executive Board. They decide which projects and initiatives will be supported during the year and also set the annual budget for donations. Corporate Communications is informed of the financial expenses in advance of each donation.

Our donation activity is guided by our economic success and is transparently regulated by a policy that applies to the entire Company. In accordance with this policy, we do not make any donations to political parties.

When selecting the projects that we support through donations and sponsorships, we ensure that they are relevant to Hamburg and the shipping industry or have a high public profile. In the 2019 reporting year, we spent a total of approximately EUR 500,000 (2018: EUR 421,100) on corporate citizenship worldwide.

Part of our financial support is provided by the Hapag-Lloyd Stiftung, a charitable foundation which was set up in 1997 to mark the 150th anniversary of Hapag-Lloyd. It primarily supports culture, science and social projects in Hamburg, where the company's headquarters are located. The foundation establishes projects and events on its own as well as in cooperation with long-term partners. It supports young talent in the worlds of theatre, ballet and music, for example. The foundation is not part of the Group and acts independently.



# Wide-ranging commitment in 2019

We have close traditional ties to shipping. For this reason we support seafarers' missions such as the Duckdalben in Hamburg, the German Maritime Search and Rescue Association (DGzRS) and maritime museums and memorials, as well as sports and cultural events.

## A TRADITION OF HELPING OTHERS

### The Albert Ballin Forum

To mark 101 years since the death of former Hapag-Lloyd General Director Albert Ballin on 9 November 2019, Hapag-Lloyd held the Albert Ballin Forum in Hamburg. Around 400 guests attended the round of talks entitled "Hamburg in the highly-charged environment of globalisation and digitalisation". These talks saw five of Hamburg's former mayors engaged in deep discussions: Klaus von Dohnanyi, Ortwin Runde, Ole von Beust, Christoph Ahlhaus and Peter Tschentscher, who between them represent more than 25 years of political and social commitment to the City of Hamburg. They discussed the current and future development of the city as well as further globalisation and increasing digitalisation. Matthias Iken, deputy managing editor of the "Hamburger Abendblatt" newspaper, chaired the event.

### Supporting local projects in Hamburg

We also support cultural and sports activities in Hamburg. For example, Hapag-Lloyd was a partner of Filmfest Hamburg and the main sponsor of the premier league ice hockey team, the Hamburg Crocodiles. We also support the annual horse race in Hamburg's Horn district. In 2019, we organised events for local clubs and initiatives such as the Rotary and Lions Clubs. Various public events were held in 2019 at our headquarters on Ballindamm, including the "Zeit" newspaper's "Lange Nacht der ZEIT" evening event, lecture evenings and concerts.



## ENVIRONMENTAL ACTION

Our environmental action includes protection of endangered species. For example, our exclusion list of goods that we do not transport includes whale meat, shark fins and hunting trophies (see Environmental and water protection, p. 77 et seq.). Our Cargo Patrol programme helps us with the practical implementation of this internal policy (see Dangerous goods, p. 57 et seq.).

Our Global Service Center in India aims to reduce greenhouse gases through a number of tree-planting initiatives. In a pilot project with local organisation Sankalp Taru, 186 trees were planted in Chennai and Mumbai. The project will continue in 2020 as part of a close partnership and with the planting of 800 additional trees.

In addition to our global environmental action, we are also involved in numerous projects in Hamburg. Since 2015, we have been a member of UmweltPartnerschaft Hamburg and have championed efforts to promote voluntary environmental protection among companies in Hamburg.

## RESEARCH AND EDUCATION

### Promotion of and exchange with the academic community

During the reporting period, Hapag-Lloyd once again donated EUR 200,000 to the Hapag-Lloyd Center for Shipping and Global Logistics (CSGL) at Kühne Logistics University. This centre was founded in 2018 to research topics such as digitalisation, sustainability and value creation in the shipping and logistics industry. The funding is primarily used for scientific equipment.

The partnership also aims to hold joint events and an information exchange on research results. In 2019, mutual events were organised, such as the podium discussion on “Quality in the container shipping industry”, in which our Executive Board and the Head of Corporate Communications participated as speakers and presenters.

### Promotion of vocational training and degree programmes

In 2000, we launched Hamburger Ausbildungs-Netzwerk (HANz!) in partnership with the Otto Group. HANz! prepares secondary school students for apprenticeships.

Hapag-Lloyd also finances three out of a total of 18 Hamburg scholarships which have been awarded by the Studierendenwerk Hamburg student association since 2018. These scholarships support refugees from conflict zones to complete a course with a strong IT focus.

We have been working with the Gymnasium Johanneum in Hamburg and other schools, some of which are international, for several years now. In 2019, we again worked with these schools to put a number of projects such as internships, career presentations and ship visits into action.



## SOCIAL ENGAGEMENT

Our company and employees are involved in a wide range of social initiatives and projects around the world. Young employees in the Talent Development Programme (TDP) are particularly active.

### Crisis relief and support of refugees

Hamburg employees participating in the Talent Development Programme (TDP) supported the Hanseatic Help clothing store with bake sales and donation boxes for a refugee camp in Iraq. As a result, we were able to send a container with 362 boxes of clothing and other things to Erbil, Iraq, in August 2019.

We were involved in refugee relief from 2015 to summer 2019, particularly via the “Hapag-Lloyd hilft” project. This project actively brought together staff, refugees, volunteers, the housing and assistance organisation “Fördern und Wohnen” and the municipal authorities. As part of the project, we celebrated with an evening meal at the end of the fasting month of Ramadan with refugees in Hamburg. We supplemented our activities with a football programme with refugees.

### Help for those in need

For the second year in a row, we supported the “People in Need” project of the Peruvian organisation “Juguete Pendiente”. This project distributes clothing, food and toys to people in need in the provinces of Cusco, Arequipa and Puno. Hapag-Lloyd employees collected donations for the project or made donations themselves. The donations

were presented in the summer, some of them in person by our colleagues.

#### International children's aid projects

In 2019, a member of TDP from Peru became involved with the Make-A-Wish Foundation, whose mission is to fulfil the wishes of terminally ill children, by fulfilling the wishes of two children with leukaemia.

During the reporting period, we once again supported the non-profit "In Your Hands Foundation", headed by one of our staff members in New Jersey (USA). Support was again in the form of school supplies donated by Hapag-Lloyd staff. This enabled the organisation to supply disadvantaged children in the region with 150 school bags filled with supplies.

In the past, we provided an orphanage in Chiang Mai (Thailand) with books as part of the "Build-A-Library" project. The library is very popular with the children and is now used daily.

#### Combating loneliness

At our headquarters in Hamburg, the TDP organised a staff visit to the Hamburg association "Freunde alter Menschen" (Friends of Older People). The organisation's mission is to combat loneliness among older people. Nearly 20 senior citizens who live by themselves in Hamburg responded to our invitation to coffee and cake at our headquarters. Both sides were enthusiastic about the personal exchange between the guests and our employees.



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# GRI Content Index 2019 – 102-55

(Version: GRI Standards 2016; exception GRI 403 (2018))

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102-5	Ownership and legal form	03, 07 see 2019 Annual Report, p. 54 et seq.
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102-14	Statement from senior decision-maker	01
<b>ETHICS AND INTEGRITY</b>		
102-16	Values, principles, standards and norms of behaviour	24, 37, 79
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GRI STANDARD	DESCRIPTION OF INDICATOR	PAGE IN THE REPORT/ COMMENT
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102-46	Defining report content and topic boundaries	16
102-47	List of material topics	17
102-48	Restatements of information	03
102-49	Changes in reporting	03
102-50	Reporting period	03
102-51	Date of most recent report	The last Sustainability Report was published on 24 April 2019.
102-52	Reporting cycle	03
102-53	Contact point for questions regarding the report	104
102-54	Claims of reporting in accordance with the GRI Standards	03
102-55	GRI Content Index	97
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**MATERIAL TOPICS****GRI 201: ECONOMIC PERFORMANCE**

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**GRI 205: ANTI-CORRUPTION**

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**GRI 206: ANTI-COMPETITIVE BEHAVIOUR**

103	Management approach*	23
206-1	Legal actions for anti-competitive behaviour, antitrust and monopoly practices	27

**GRI 301: MATERIALS**

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301-1	Materials used by weight or volume	86

301-2	Recycled input materials used	Our company's core business is services. For this reason, we do not calculate the percentage of renewable or recyclable materials for externally procured materials. If a ship in our fleet is recycled, almost all of its components are reused.
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\* Comprises GRI 103-1, GRI 103-2 and GRI 103-3 (explanation of the material topic and its boundaries, components and evaluation of the management approach)



GRI STANDARD	DESCRIPTION OF INDICATOR	PAGE IN THE REPORT/ COMMENT
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302-3	Energy intensity	70
302-4	Reduction of energy consumption	70
<b>GRI 303: WATER AND EFFLUENTS</b>		
103	Management approach*	77
303-1	Interactions with water as a shared resource	77
303-2	Management of water discharge-related impacts	77
303-4	Water discharge	Solid and liquid waste that accrues on the ships is collected locally in accordance with MARPOL and disposed of in the respective destination ports. Centralised tracking of waste and waste water figures would be associated with high administrative costs and therefore does not currently take place.
<b>GRI 304: BIODIVERSITY</b>		
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\* Comprises GRI 103-1, GRI 103-2 and GRI 103-3 (explanation of the material topic and its boundaries, components and evaluation of the management approach)

GRI STANDARD	DESCRIPTION OF INDICATOR	PAGE IN THE REPORT/ COMMENT
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401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	34
401-3	Parental leave	36
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY (2018)</b>		
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403-2	Management approach: hazard identification, risk assessment and incident investigation	48–49, 54–57
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403-4	Management approach: worker participation, consultation and communication on occupational health and safety	48–49, 53
403-5	Management approach: worker training on occupational health and safety	50, 53, 58
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403-7	Management approach: prevention and mitigation of occupational health and safety impacts directly linked by business relationships	48–49, 55, 57
403-8	Workers covered by an occupational health and safety management system	48–49, 53–54
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<b>GRI 404: TRAINING AND EDUCATION</b>		
103	Management approach*	33, 38, 46
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404-3	Percentage of employees receiving regular performance and career development reviews	42
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405-1	Diversity of governance bodies and employees	32, 45

\* Comprises GRI 103-1, GRI 103-2 and GRI 103-3 (explanation of the material topic and its boundaries, components and evaluation of the management approach)

GRI STANDARD	DESCRIPTION OF INDICATOR	PAGE IN THE REPORT/ COMMENT
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408-1	Operations and suppliers at significant risk for incidents of child labour	25
<b>GRI 409: FORCED OR COMPULSORY LABOUR</b>		
103	Management approach*	23
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	25
<b>GRI 412: HUMAN RIGHTS ASSESSMENT</b>		
103	Management approach*	23
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\* Comprises GRI 103-1, GRI 103-2 and GRI 103-3 (explanation of the material topic and its boundaries, components and evaluation of the management approach)

# Independent Practitioner's Report

– 102-56

## INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING<sup>1</sup>

### To Hapag-Lloyd AG, Hamburg

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Hapag-Lloyd AG, Hamburg, (hereinafter the "Company") for the period from 1 January 2019 to 31 December 2019 which comprises the sections marked with the acronym "NfB" in the Sustainability Report 2019 of the Company (hereinafter the "Non-financial Report").

### Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ (articles) 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

### Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2019 to 31 December 2019 has not been

<sup>1</sup> PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report

prepared, in all material aspects, in accordance with §§ (articles) 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statement and in the group management report of Hapag-Lloyd AG
- Evaluation of the presentation of the non-financial information

#### **Assurance Conclusion**

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2019 to 31 December 2019 has not been prepared, in all material aspects, in accordance with §§ (articles) 315c in conjunction with 289c to 289e HGB.

#### **Intended Use of the Assurance Report**

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 19. March 2020

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke  
Wirtschaftsprüfer  
[German public auditor]

ppa. Meike Beenken

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